VOLUME NO. 5

EXPLANATORY NOTES

FOR

DEPARTMENT OF AGRICULTURE

BUDGET ESTIMATES

FISCAL YEAR

1943

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SOIL CONSERVATION SERVICE

(a) GENERAL ADMINISTRATIVE EXPENSES

Appropriation Act, 1942	$510,334
Budget estimate, 1943	506,315
Change from 1942:	
Net reduction in working funds	10,334
Additional for administrative promotions	6,315
Net decrease	4,019

PROJECT STATEMENT

Project	1941	1942 (estimated)	1943 (estimated)	Increase or decrease
General administrative and business expense ...	$503,868	$510,334	$500,000	-$10,334 (1)
Net cost of within-grade promotions	- -	- -	6,315	+ 6,315
Unobligated balance	7,922	- -	- -	- -
Total appropriation	511,790	510,334	506,315	- 4,019

DECREASE

(1) A decrease of $10,334 is effected by deferring the purchase of equipment replacements and curtailing travel and other miscellaneous expenditures insofar as possible.

WORK UNDER THIS APPROPRIATION

This appropriation provides for the offices of the Chief and for the salaries and expenses in Washington for the Divisions of Personnel Management, Service Operations, and Budget and Finance. It also provides for general direction and supervision by the Washington office of all such lines of work in the field.

During the past two years particular emphasis has been given to the coordination of all administrative functions of the Service under one responsibility in the field and the Washington Office, thereby establishing uniformity in the carrying out of such functions and permitting personnel of the non-administrative branches of the Service to give full emphasis and undivided effort to the execution of the technical phases of the Service program. This has meant the establishment of appropriate administrative policies, procedures, practices, and controls so that all administrative offices of the Service will handle efficiently and expeditiously all administrative work necessary to facilitate the field program and to insure the use of funds for the purposes appropriated.

(b) SOIL AND MOISTURE CONSERVATION AND LAND-USE INVESTIGATIONS

Appropriation Act, 1942	$1,500,000
Budget estimate, 1943	1,414,429
Change from 1942:	
Net reduction in working funds	100,000
Additional for administrative promotions ..	14,429
Net decrease	85,571

PROJECT STATEMENT

Projects	1941	1942 (estimated)	1943 (estimated)	Increase or decrease
1. Investigations of the principles involved in soil and moisture conservation, and methods for their practical application on the farm....	$599,093	$602,319	$585,314	-$17,005 (1)
2. Watershed investigations of the effect of land-use practices on run off as related to the methods of control of erosion and floods	429,430	423,018	377,718	- 45,300 (1)
3. Investigations of sedimentation resulting from erosion	93,713	93,960	81,460	- 12,500 (1)
4. Investigation of geographic and climatic factors related to erosion	80,986	81,035	68,840	- 12,195 (1)
5. Investigations of the economics of soil and water conservation	81,056	89,542	76,542	- 13,000 (1)
6. Investigations of erosion-resisting plants of economic value	89,333	89,542	89,542	- -
7. Farm irrigation investigations	85,308	85,544	85,544	- -
8. Farm drainage investigations	33,919	35,040	35,040	- -
Net cost, within-grade promotions	- -	- -	14,429	+ 14,429
Unobligated balance	7,162	- -	- -	- -
Total	1,500,000	1,500,000	1,414,429	- 85,571

DECREASES

(1) A decrease of $100,000 under this sub-appropriation item is contemplated in view of the national emergency. Some of the projects can be temporarily suspended and some savings may be effected by reducing others to a minimum operating basis. The estimated decrease of $100,000 is being absorbed without the complete elimination of any line of research work and without seriously hampering the lines of work which are contributing directly to the national defense effort; rather, it will limit the extension of some of those lines into some of the localities planned and will reduce to some extent the intensity of the research program at some existing localities. During the current year, the research projects of the Soil Conservation Service have been critically examined to determine those which could or should be revised in order to release personnel and facilities for the attack of new and more urgent problems which are constantly arising in the operating program of the Service.

WORK UNDER THIS APPROPRIATION

Objective: To develop efficient and practical methods of soil and water conservation as a basisfor the conservation program in soil conservation districts and agencies of the Department concerned with conservation.

The problem and its significance: At the beginning of the national program of soil and moisture conservation and proper land-use, the Service was without adequate information and proven methods for practical and general application to the nation's actual and potential land resources. Research into the character, cause, extent, history and effect of soil erosion and water depletion and methods for soil and water conservation was undertaken to supply a sound base for the action program. The rapid growth and development of the soil conservation districts in all parts of the country has created a demand for technical information from the research divisions which has been impossible to satisfy. A large portion of the work consists of practical investigations designed to develop practical methods of application for the districts program. It has been necessary continually to examine and revise the research program on the basis of priorities in order to obtain the greatest possible benefit from the facilities available.

The Soil Conservation Service is the only agency in the Federal Government doing research directly aimed at erosion control on farm lands. All action programs which consider conservation of farm lands are dependent upon the methods developed by this Service. The amount of money expended is relatively small. During the current fiscal year only 1/4 of one cent out of each dollar appropriated for conservation to Federal agencies is being spent on research.

General plan: The program of research is cooperative with State experiment stations and other agricultural agencies of the Department and States. The State agencies, by agreement with the Secretary, cooperate with the Soil Conservation Service in the conduct of the work, and as far as possible furnish land, laboratories, office facilities, and technical assistance. As soon as the trend of results from a study can be perceived, measures promising to control run-off and erosion under conditions encountered in the studies are developed and tested. Field tests and evaluations of practices are particularly

important in developing and applying sound programs in the soil conservation districts.

Information relating both to general principles and to procedures developed is made available first of all to the State and Federal specialists so that their programs may be improved as a result of the findings. After the results have been carefully checked and conclusions and recommendations thoroughly tested, the information is released to the general public. Radio and press facilities furnish the avenues over which information directly applicable to field needs is released, while formal technical bulletins and scientific periodicals carry more detailed discussions.

Project 1. Investigations of the principles involved in soil and moisture conservation and methods for their practical application on the farm.

General: The work under this project is being conducted at 67 locations in 38 States and Puerto Rico. Causes and effects of soil erosion and moisture depletion are studied in the field and laboratory and practical and economical methods for their conservation under actual farming conditions are developed, tested, modified and proven.

Typical of the studies now under detailed investigation are: (a) the effectiveness of different types and sizes of terraces in conserving soil and water, (b) contour farming as compared with up and down hill farming, (c) machinery and other cultural problems arising from the use of terraces and from contour farming, (d) the efficiency and practicability of different cropping systems in a soil conserving plan of agriculture, (e) the relation of soil characteristics to erosion, and methods of improving soil conditions, (f) the effect of using living vegetation in contour strips, in balks, and in extensive covers for protecting the soil surface and improving sub-surface conditions, (g) the stabilization and return to use of areas exposed to and damaged by wind erosion, and (h) the effectiveness of crop residues in conserving the small moisture supply in semi-arid and arid regions.

Examples of progress and current programs: A few widely scattered examples to indicate the nature of the work being conducted follow:

In Aroostook County, Maine which is one of the most important potato growing areas in the United States, conditions are such, due to the short season, that the land must be plowed in the fall so as to get the potatoes planted early in the spring. This practice leaves the soil exposed to severe soil erosion by melting snow and early spring rains. In this extensive potato growing area, large equipment is used as volume is necessary for economic production. Studies of metheds of interception of water and the use of organic residues are being conducted in cooperation with other divisions of the Service and the Maine Agricultural Experiment Station on the sub-station at Presque Isle.

There is a serious problem of erosion control in peach orchards of eastern United States. The best sites for these orchards are hillsides where air

drainage as a protection against frost is secured. Clean cultivation has been generally practiced to avoid competition for moisture between trees and cover crops at critical periods of fruit growth. Orchard erosion is especially serious as areas suitable for fruit growing are limited and must be preserved. Methods of using vegetative cover in lieu of clean cultivation have shown the possibility of practical application. Information accruing from these experiments, while far from complete, has been used as the basis of extensive trial plantings under field operating conditions throughout the Georgia and North Carolina peach belts, Pennsylvania, New Jersey, and the fruit growing areas of Michigan and other midwestern States.

In the deep south, especially in Alabama, Mississippi, and Georgia one of the main problems is the accomplishment of soil building and erosion control by the use of legumes. Kudzu, lespedeza, and other legumes are the leading crops for this purpose. In many areas, failures of kudzu to give quick protection, or the deterioration of the protection after a good cover has been established, has necessitated a series of field trials and tests on the management of these crops in connection with the existing agriculture of these areas. This work is now under way at the Alabama Experiment Station at Auburn and the Conservation Experiment Station at Athens, Georgia, and on numerous farms of the area.

Work on stubble mulch or the use of plant residues as a protection against both wind and water erosion and for the conservation of moisture originated in Nebraska, and is being spread by field trials and tests in the States of Montana, Wyoming, North and South Dakota, Kansas, Iowa, Wisconsin, Michigan, Illinois, Ohio, Missouri, Idaho, Washington and Oregon.

It should be especially noted in this connection that this program was originally developed for water conservation in the semi-arid regions of the west, but it is proving to be of value in the midwestern States where water conservation was not previously considered of importance and even in the humid areas of the southeast. It is necessary that these practices be combined with adequate methods of interception of runoff, and carried through several years of trial to determine effects on soil fertility and complications which may arise due to increased damage to crops from plant diseases and insects. Since the relationships of plant residues and organic materials to soil structure are closely associated with soil microorganisms, this phase of the problem is being carefully considered. The work to date indicates that these new cultural methods of production and conservation are so successful, not only for conservation, but for soil building, that predictions are being made that they will be practically revolutionary in many locations.

It was reported two years ago that the program at the Statesville Experiment Station was being completed. During the last year the last few pieces of work were finished and all of the money now is being expended on the tobacco work in Raleigh. The work at the Beemerville station in New Jersey on the basic principles involved in a practical program of grassland agriculture, has been completed and these funds of the Soil Conservation Service are now largely diverted to finance work in the potato sections of Monmouth county.

The general conservation work at the Zanesville station in Ohio is being completed. The majority of the funds previously allocated to the Zanesville station work will be used for developing a basic land use program adapted to the needs of the new districts in northwestern and southwestern Ohio.

In Illinois, pasture studies at the Dixon Springs station have progressed to the point where a considerable portion of the funds originally spent there are being used on experiments with mulch and plant residues (as previously mentioned) in connection with the Black Prairie soils around Urbana and Champaign.

At the urgent request of southwestern cattlemen, a range conservation project involving the eradication of mesquite, and other moisture consuming weedy plants, for the improvement and conservative use of range has just started. The completion of work on revegetation and wind erosion control in Cheyenne Wells, Colorado this year facilitated the start of this range conservation project. This new work is at the request of and in cooperation with districts.

In the wind erosion control project, practical methods of dune control have been worked out and the allotment is being used to study methods of establishing cover on the blow areas and methods of handling such row crops as are necessary for the dust bowl area. This work is being conducted in cooperation with the Bureau of Plant Industry and State Experiment Stations.

Project 2. Watershed investigations of the effect of land-use practices on runoff as related to the methods of control of erosion and floods.

General: Studies on representative large and small watersheds are carried out to determine the effect of customary or poor land use contrasted to improved methods of handling cropland, pastures and farm woodlands, upon erosion, runoff and flood flows. These studies are pointed towards the development of practical water control measures with safe and conservative land use and are carried out in cooperation with the interested State Agricultural Experiment Stations. The principal investigations are conducted on four watersheds in Ohio, Texas, Nebraska, and New Mexico. Special cooperative studies of land use effects are likewise underway in Maryland, Virginia, Alabama, Arkansas, Indiana, and Idaho. In addition, certain watershed studies are made at the Conservation Experiment Stations in Georgia, Oklahoma, Texas, New York, Missouri, Wisconsin, Iowa and Washington. In order to effect greater economy in the design of conservation structures, such as terrace outlets, check dams, drop inlets and spillways, measurements of runoff are being made on 100 typical small watersheds located in twenty-seven different hydrologic problem areas upon the demonstration projects of the Service.

Examples of progress and current programs: The demand for hydrologic information upon rainfall-runoff relations has been incessant from flood control specialists, operations program engineers of this Service and representatives of other Government agencies. Tabulations have now been made by the hydrologic

staff, assisted by WPA projects, of the data so far collected on the large experimental watersheds and of the runoff figures from representative small watersheds on the operations projects. The information has found immediate use in flood control work and has been made available to the technical workers assigned to the development of soil conservation districts so that maximum economy can be exercised in this work. The reports contain information on peak rates of runoff with estimated expectancies of the maximum flow which may be experienced once in five, ten, fifteen or twenty-five years. In addition to its use in the soil conservation districts program, such information has been proven of value in defense projects involving the layout of airports, location of landing strips, military roads and the placing of essential buildings which must be protected from storm water damage.

Four major pieces of work have been completed. These include: (1) The studies at the hydraulic laboratory located at Spartanburg, South Carolina, which was set up to determine improved designs of terrace outlet channels with the best types of vegetal covers used in the southeast. The information obtained has been made available to operation program engineers and is now applied on large areas of terraced crop land. The laboratory with its personnel has been moved to Stillwater, Oklahoma where similar work is being developed for the mid-continental area.

(2) Appreciable difficulty was experienced in projects upon the Pacific Coast where it was necessary to drop runoff water to lower elevations since heavy flows frequently undermined expensive structures. This program was studied in the cooperative laboratory at the California Institute of Technology, where the causes of trouble were determined and new and effective designs developed which are now in use.

(3) Studies on the development of artificial rainfall equipment formerly carried out at the Bureau of Standards, have been completed and the devices developed are being employed extensively in infiltration and flood control studies.

(4) The cooperative project in the design of improved runoff measuring and control devices at Cornell University has been finished and the results of work are being used by operations technicians.

The conclusion of the above studies has made it possible to take up a few pieces of new work for which there has been an urgent demand.

1. The first of these is a study of the runoff and infiltration relations which are found in frozen ground, both with and without a snow cover in the northern United States. The work is to furnish a basis for protection against the severe erosion and flood damage arising from melting snows combined with rainfall. A thorough investigation of this problem is being made in a cooperative project at the Agricultural Experiment Station, East Lansing, Michigan.

2. Due to failure of many expensive structures, there has been a demand for information on a better design for drop inlet structures suitable to

the north central States. Cooperative study has been set up at the University of Minnesota which is already yielding results of value to conservation district engineers.

3. Studies of the impact produced by various types of raindrops which were formerly carried out at the Bureau of Standards are now being investigated at the Alabama Polytechnic Institute, Auburn. The results so far obtained have shown that the rainfall impact constitutes a major factor in the erosive effect of rainfall upon bare land and emphasizes the importance of vegetal cover to protect the soil. The application of these results to practical agricultural conditions is now being developed.

Project 3. Investigations of sedimentation resulting from erosion.

General: Soil erosion not only causes enormous damages to the land from which the soil is washed, but the soil waste by the streams causes a whole chain of secondary damages by sedimentation. Silting of storage reservoirs, impairment of the navigability of streams and harbors, overwash on agricultural bottom lands, increasing flood heights, damage to fish and oyster resources, and other types of loss are estimated to be not less than $50,000,000 annually. The work under this project is to determine the location, types, and remedies for sedimentation damage resulting from erosion.

Examples of progress and current programs: To the end of the fiscal year 1941, data had been collected on silting in approximately 450 representative reservoirs out of approximately 12,300 thus far constructed in this country at an estimated cost of $3,800,000,000. These data have shown that between one-fifth and two-fifths of the Nation's reservoirs will be made useless by silting in less than 50 years. The critical importance of this condition can be realized from the fact that 20 percent of the Nation's population obtains its water supply from these reservoirs, and 34 percent of the Nation's electric power is generated by hydroelectric dams dependent on storage reservoirs. The annual value of this much power alone is nearly one billion dollars. The information gathered by these reservoir investigations is being put to practical use in three ways: (1) The data have shown that the rate of storage loss by silting can be greatly reduced if a favorable ratio of storage capacity to size of the drainage basin is achieved. If ratios developed in this project are adopted, future reservoirs will, on an average, have greatly increased periods of usefulness. Catastrophes will be avoided, such as the complete filling in one year of the $150,000 water supply reservoir built in 1936 on the Solomon River at Osborne, Kansas. (2) The data from this project and from laboratory investigations described below have shown that a proper operation plan of water release at the dam could in many cases materially reduce the rate of silting. Construction of suitable outlets in new dams would materially increase the effectiveness of such operation plans. The work has progressed to a point where it is to be applied on a full sized dam by the Washington Suburban Sanitary Commission for the purpose of developing methods of practical operation in prolonging the life of this reservoir,

(3) Studies of sources of sediment in drainage areas above reservoirs begum in 1940 are forming a basis for conservation programs designed to ahcieve the most rapid reduction in rates of sedimentation.

Studies of stream and valley sedimentation have shown that gullying and stream-bank cutting are generally the most important processes in causing filling of stream channels and that filling of stream channels results in a series of damages, the most important of which are increasing the height of flood flows, causing swamping of fertile bottom lands, and impairment of bottom-land soils by overwash of infertile sediment. Conclusive evidence has been obtained in several localities, notably northern Mississippi, southwestern Wisconsin, southeastern Minnesota, and the Rio Grande Valley, New Mexico, that treatment of gullies and stream banks should have a high priority in conservation programs designed to remedy damaging conditions of flood overflow in these regions.

Reservoir surveys are still in progress to fill in gaps in information for certain sections of the country. Emphasis has been shifted, however, during this year from reservoir surveys to analysis of existing data as a means of developing more favorable ratios of reservoir storage to watershed areas, to studies of silting control through better operation plans for water release, and especially to methods of determining sources of sediment in reservoir-drainage areas. All of these lines of approach, largely started during the past year, are expected to provide practical means of reducing the rate of damage to the Nation's reservoirs.

Project 4. Investigations of the geographic and climatic factors related to erosion.

General: This project determines the character and distribution of the climatic and physiographic factors that are responsible for soil erosion, floods, and droughts as a basis for the development of suitable erosion control practices and of programs of soil and water conservation. The project is also concerned with the causes for the spread of soil erosion since settlement and with experiences encountered in early attempts at its control.

Examples of progress and current programs: During the past year as a continuation of work on the distribution of droughts, a new method was developed for determining the probability of drought or of given amounts of rainfall for any interval of days following a specified date. This method is now being applied in the analysis of weather records from key stations throughout the United States. This provides soil conservationists and other agriculturists with the most accurate climatic information obtainable from which to determine the best times for certain farming operations and the most hazardous periods of the year for wind erosion. This information also has military value in that it would give, on the basis of many years of record, advance information of the type of weather that would probably be encountered in projected maneuvers. A logical continuation of the drought investigations is a study now in progress of the probability of critical high and low temperatures, since drought becomes most critical to crop yields and to wind erosion when associated with high temperatures.

In order to understand the hazards to highway construction and to agricultural land resulting from slips and other forms of mass-movement of soils, periodic and detailed surveys are being made in eastern Ohio, Pennsylvania, and West Virginia.

Detailed investigations of erosion processes in the Piedmont of South Carolina that were conducted earlier under this project showed that the depth of the resistant subsoil is very important in determining the rapidity of gully erosion. It is generally found to be thin on convex slopes and very thick on the concave slopes adjoining natural drainage lines, indicating that artificial concentration of water should be directed away from the convex slopes and toward the concave slopes. These findings are being used as a basis for safe location of terrace outlet channels.

A comprehensive investigation is being continued of early methods of erosion control and of their effectiveness in New England and the Southeastern States as a basis for evaluating present conservation programs in the light of past practical experience.

From an analysis of forty years of rainfall records for 1,905 weather stations, the lengths of annual and seasonal droughts occurring on the average every 1, 3, 5, and 10 years were determined for all parts of the country. The maximum length of drought experiences during the period 1898-1937 was also shown for each station. The funds applied to this work are now being applied to local climatic studies immediately needed in connection with operations activities.

Project 5. Investigations of the economics of soil and water conservations.

General: A program of soil and water conservation, to be effective, should increase the farmer's income in addition to saving or improving his soil resources. Studies under this project are designed to determine the underlying facts and relationships between physically effective soil and water conservation and continuing farm income.

The work under this project is conducted in cooperation with the Bureau of Agricultural Economics and the respective State Agricultural Experiment Stations. Two phases are considered, (1) the economic effect of these soil and water conservation plans on the farmer's income and (2) the public value of these soil and water conservation programs. Intensive studies are made in a few carefully selected locations. The facts, relationships, and principles thus determined, in connection with the appropriate conservation and land-use activities, are then applied over wide areas.

The essential procedure of these studies consists of (1) the determination of the existing conditions in a soil conservation district or work area, (2) a study of the farm plans initiated by the technicians engaged in conservation operations together with the farm planners and the farmers in order to determine the income effects (3) the recommendations of specific changes in land-use and farming practices in order to secure an improvement

in income, (4) the application of these recommendations on the farms in question, and (5) following these changes through in order to determine the actual income and other economic effects. This procedure provides a basis for trying and proving the entire program.

Examples of progress and current programs: The work for the past year has been conducted in the following States: Arizona, Colorado, Connecticut, Illinois, Iowa, Kansas, Minnesota, New Jersey, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Texas, West Virginia and Wisconsin. Since the work is of a research service nature many jobs are completed and the work moved to new areas.

Field work on the first phase of these economic studies in several areas in West Virginia, New Jersey, North Carolina and Ohio has been completed. An analysis of the field information is being made and the funds shifted to other work areas needing assistance. One phase of the economic research in Iowa has been completed and has resulted in setting forth specific methods by which soil and water conservation planners can more readily and effectively carry out their functions on the basis of the principles developed in this phase of research. Field work has been completed in Oregon on a study to determine the economic effects of erosion on wheat yields. Analysis of the data is now under way. This information provides farm planners with a basis for developing economically effective soil and water conservation plans on the dry-land wheat regions of eastern Oregon. Technicians in Minnesota and Wisconsin having completed work on general farming areas have recently initiated a study of economic effects of pasture improvement. Field work on a study covering the economics of reservoir sedimentation has been completed for the reservoirs of the Trinity, Brazos, and Lower Colorado rivers. These studies provide a basis for determining the extent of public expenditures to protect these public investments and also furnish a basis for engineers to determine the most probable economic value of relative reservoir sites and the appropriate design of the reservoirs for these sites. This effort has been shifted to reservoirs in other locations.

Project 6. Investigations of erosion-resisting plants of economic value.

General: The purpose of work under this project is to provide income producing crops for land too steep or erodible for ordinary cultivation. Many millions of acres of agricultural land must be retired from clean-tilled cultivation in order to accomplish the national program of soil and water conservation. The annual cash returns from uncultivated vegetation, such as ordinary forest cover or common pasture, usually are so low that the average farmer cannot make a living if he discontinues production of tilled crops to the extent called for in the erosion-control plans in hilly regions.

Examples of progress and current programs: 601 new and promising selections of trees, shrubs, and ground-cover plants of economic value has been made throughout the country. As these plants meet requirements in critical tests they are propagated and made available for practical use in the different problem areas of the country. Of these, 475 species and varieties of erosion-resisting plants are under test in the five cooperating

States and are proving to be beneficial new crop plants as shown by the following examples:

The partridge pea is a new forage and cover crop for poor sandy soil in the South. Hillculture tests in Alabama show that this native wild legume is adapted to a wide range of farm conditions. It grows especially well on poor sandy soil where many of the better known cover crops fail. It has yielded 10,000 pounds per acre of green material when sown on idle crop land, in orchards, among small grain crops and in alternated rows with corn. Satisfactory natural reseeding has occurred in each case.

Investigations near Capistrano, California show that Rhodes grass, a deep rooted grass when seeded on unirrigated hilly land yields heavy forage and remains green throughout the hot dry summer. These results indicate that under some conditions the growing of this grass may furnish net returns to the farmer equal to income derived from the culture of erosion-inducing crops such as beans on this same land.

Native sumac, a promising new crop plant for erodible land, yields tannin which is now unobtainable from foreign sources due to the war. In Southern Iowa selections of native sumacs have been made which have high tannin contents in the leaves. These plants grow well when planted on erodible hills managed by the use of contour structures to control erosion. These findings indicate that the native sumacs which are useful erosion-control plants may be grown commercially for the production of tannin when practical and economic harvesting practices are developed.

Honey locust is a valuable tree for planting in livestock pastures. Tests on two outstanding selections of this tree show that the exceptionally high sugar content in the pods was maintained when the selections were grafted to wild root stocks and grown under widely different conditions in Alabama. Completed work in Ohio had already shown this tree to have a beneficial effect upon pasture grasses. These new findings show additional high values of the honey locust as a supplemental source of stock food and suggest the desirability of planting it extensively in pastures in the Eastern States.

Rabbiteye blueberry selections have been made for developing a new economic erosion-control crop in the South. Three of the outstanding selections are already in practical use in erosion-control farm plantings, while others are being hybridized for their further improvement by the Bureau of Plant Industry.

A cheap method of propagating desirable erosion-control plants which is simple in application has been worked out for inducing root formations on hardwood cuttings of a number of selections of woody plant species having high values for soil conservation plantings. Heretofore these desirable erosion-control plants were too expensive for general use.

Superior genetic types of the black locust have been found and evaluated. This work clearly indicates that the economic returns from this valuable

farm tree can be materially increased by planting the better genetic types. Natural stands of these types have been located for seed sources to replace the commoner, less valuable sorts now in general use.

Project 7. Farm irrigation investigations

General: Irrigation has made it possible to develop profitable agriculture over extensive areas of our best agricultural lands. The practice of irrigation, however, has brought up many important questions needing investigation. It is important that the best methods of conserving and applying irrigation water to fields be developed so as to provide an adequate supply for plant growth without creating an erosion hazard.

Since the quantity of water available for streams and reservoirs in the arid regions of the West is frequently insufficient to supply the needs of the land suitable for irrigation, additional sources of water must be sought. In many cases this added water is stored below the surface of the ground in layers of saturated sand and gravel and may be recovered by pumping from wells. Here again careful investigation is necessary before a project designed to recover this supply of water is undertaken.

Much of the water used for irrigation is derived from melting snow on the mountains. Snow surveys are therefore very necessary for the forecasting of irrigation water supplies. This enables the farmer to adapt his cropping program to the amount of water which will be available during the growing season.

Examples of progress and current programs: Studies now under way include: (a) water requirements for irrigation, (b) pumping for irrigation storage of water underground, (c) drainage of irrigated land, (d) snow surveys and irrigation water supply forecasts, (e) design and invention of irrigation apparatus, (f) studies of fundamental hydraulics necessary for irrigation enterprises, and (g) the organization of irrigation institutions and State water laws.

A good portion of the time of the specialists in irrigation is devoted to direct technical assistance to soil and moisture conservation operations in the eleven western States. Examples of the kind of work being done follow:

Studies are being conducted on the utilization of the waters of the San Luis Rey River watershed and of water in Beaumont Plains and San Jacinto Valley, Cailifornia.

Studies of the past and present use of water on various farms in the San Fernando Valley are being conducted to determine the efficiency of methods of application. A study comparing efficiency of the broad furrow with the standard narrow furrow for irrigation was continued. On some of the plots several types of sprinkler systems were used in comparison with low-head sprinkler system. The contribution to the ground water supply from this

investigation was also studied since the ground water basin is part of the water supply of the system of Los Angeles.

Studies of pumping plants were continued as well as investigations of the carrying capacity of water conduits of various types and designs.

It is estimated that from 1/4 to 1/3 and sometimes as much as 1/2 of the water of canals is lost by seepage and evaporation. Experimental projects are being conducted near Grace, Idaho, Fort Collins, Colorado, and Delta, Utah on methods to prevent seepage losses.

Research in cooperation with 34 other interested agencies is underway on methods of estimating water stored as snow at high elevations which furnished the supply for irrigation.

At the request of the Department of Agriculture Solicitor's Office a study is being made of problems in the law affecting water rights in the West. This work is being done as a basis for determining Federal policy in connection with irrigation.

Water-application-efficiency studies in the Utah Lake Drainage area in Utah County were completed during the year and a progress report submitted. It is intended to organize a similar study embracing certain areas in Salt Lake County during the coming irrigation season.

Cooperative work on the Pecos River watershed in New Mexico and Texas, carried as a joint investigation in connection with the National Resources Planning Board, and which embraced a study of consumptive use of water and consumptive requirements in the Pecos Valley, has been practically completed.

A new method of determining the rate of flow through the Parshall flumes has been developed and will be used on the new flumes for measurement of water supply now under construction on the Pleasant Valley and Lake Canal and other places.

A study was made of the whole question of Hawaiian water law, with particular reference to the ground-water problem of the City of Honolulu, under a cooperative arrangement between the Department and the Board of Water Supply of the City and County of Honolulu. The main comprehensive report has been largely completed and will be released to the Solicitor's Office and to the Soil Conservation Service as a whole during 1941.

Preliminary assistance was rendered to agencies in Arkansas, California, Texas and Wyoming concerning proposed ground-water legislation. Work was done for the Subcommittee of the Water Resources Committee of the National Resources Planning Board on defects in State water laws. The money released by the completion of these pieces of work is being used for urgently needed investigations on drainage or irrigated land in the Imperial Valley.

Project 8. Farm drainage investigations.

General: Drainage is essential to the most effective development of extensive areas of agricultural land in connection with soil and moisture conservation and land use programs. Work under this project is aimed at the development of better methods of drainage. Basic hydraulic information is being developed which, when applied to the design of drainage ditches, tile drains, and pumping plants, will result in greater efficiency and reduced costs. The program includes investigations and reporting upon the best methods and materials used in the drainage of agricultural lands; the improvement of equipment for constructing and maintaining drainage works; and the development of more efficient methods of organizing, administering, and maintaining drainage enterprises. Work is being carried on in cooperation with the State Agricultural Experiment Stations in Florida, Indiana, Iowa, Louisiana, Minnesota, and Mississippi.

Examples of progress and current programs: Results secured during the past year in connection with investigations of drainage pumping plants in the Everglades area of Florida indicate that such plants should have a capacity sufficient to remove 3 inches of water per 24 hours from the area drained if serious crop losses are to be avoided.

In connection with the investigations of the effect of soil alkalies and soil acids on concrete drain tile, the data developed have, during the past year, been used in developing Federal specifications for sulphate-resistant cements, and by the American Society for Testing Materials in revising their specifications for such cements.

Flood frequency and drainage studies were completed for the Yazoo River backwater area in Mississippi as a part of a Department investigation to develop a land use program for the area. Another study was completed of 3 counties in the coastal plain region of Texas. Similar studies are being undertaken in other backwater areas in the alluvial lands of the Mississippi Valley.

During the past year considerable time has been devoted to advising the Farm Security Administration on drainage problems in connection with contemplated purchase areas.

The investigation of drainage districts in Mississippi, carried on in cooperation with the Mississippi State Board of Development, has been completed. Plans are under way with the Arkansas State Planning Board for a similar study in that State. Requests for such investigations have been received from the State Planning Boards of Arkansas, Louisiana, Missouri, and Tennessee.

At Saint Paul, Minnesota, the field and laboratory work on the phase of the project relating to the effect of soil acids in peat and mineral soils on concrete and clay drain tile has been completed. This will make more time available for the other phases of the project.

In connection with the investigations relating to the drainage of sugarcane lands in Louisiana, work on the experimental plots has been completed

and the headquarters of the project have been moved to University, Louisiana. At the new location experiments will be carried on with mole drains, and with methods and equipment used in maintaining drainage improvements.

In cooperation with the Agricultural Experiment Station of Indiana, investigations relating to drainage and the effect of ground water control upon muck and peat soils have been started at the Muck Land Experiment Station near North Liberty, Indiana.

(c) SOIL AND MOISTURE CONSERVATION AND LAND-USE OPERATIONS, DEMONSTRATIONS, AND INFORMATION

Appropriation Act, 1942	$23,516,775
Budget estimate, 1943	20,510,812
Change from 1942:	
Net reduction	-3,216,775
Additional for administrative promotions	+ 210,812
Net decrease	-3,005,963

PROJECT STATEMENT

Project	1941	1942 (estimated)	1943 (estimated)	Increase or decrease
1. General conservation surveys, soil and moisture conservation operations on demonstration projects, and cooperation with soil conservation districts, Civilian Conservation Corps, and other Federal and State agencies:				
a. Cartographic and multilithing activities necessary to map reproduction for all Service activities and physical land surveys outside established work areas	$1,124,645	$1,327,701	$1,315,793	-$11,908 (1)
b. Soil and moisture conservation operations by means of demonstration projects in agricultural and erosion regions	1,939,433	1,006,599	956,102	- 50,497 (2)
c. Soil and moisture conservation operations in cooperation with soil conservation districts established under State laws	9,588,851	18,009,942	15,798,197	-2,211,745 (3)

PROJECT STATEMENT---Continued

Project	1941	1942 (estimated)	1943 (estimated)	Increase or decrease
d. Technical cooperation with the Civilian Conservation Corps camps and other Federal and State agencies.....	$2,718,621	$1,782,000	$1,000,000	- $782,000 (4)
Total, Project 1.....	15,371,550	22,126,242	19,070,092	-3,056,150
2. Operation of conservation nurseries for furnishing of plants for use in soil and moisture conservation operations....	1,126,344	1,295,405	1,125,000	
1941 appropriation obligated in 1942.....	+ 19,447	- 19,447	- -	
Total, Project 2.....	1,145,791	1,275,958	1,125,000	- 150,958 (5)
3. Net cost of within-grade promotions.....	- -	- -	210,812	+ 210,812
Transfers to other bureaus and agencies, as shown in Budget schedules.....	121,508	114,575	104,908	- 9,667
Unobligated balance.....	66,901	- -	- -	- -
Total.....	16,705,750	23,516,775	20,510,812	3,005,963

DECREASES

General: The total decrease of $3,216,775 in working funds includes a decrease of $9,667 in transferred funds and $3,207,108 in the amount available to the Soil Conservation Service, which latter decrease will be accomplished by spreading assistance to soil conservation districts on a less intense basis, deferring equipment replacement purchases, and reducing travel, communications, and other expenses as much as possible in the interest of national defense, and still retain limited progress and past gains, and will be distributed as follows:

(1) The decrease of $11,908 under the project "Cartographic and multilithing activities necessary to map reproduction for all Service activities and physical land surveys outside established work areas" contemplates reducing travel and communication expenses.

(2) The decrease of $50,497 under the project "Soil and moisture conservation operations by means of demonstration projects in agricultural and erosion regions" contemplates the deferment of equipment replacements and lessening the intensity of work on some projects where the erosion problem is the least critical.

(3) A decrease of $2,211,745 for "Soil and moisture conservation operations in cooperation with soil conservation districts established under State laws", including decreases in direct assistance to districts, involving reduced intensity or spreading of assistance; curtailment of equipment replacement purchases; savings in travel, communications, and other expenses incident to direct assistance to districts; and in administrative and general technical planning and supervisory expenses chargeable to this project in the State, regional, and Washington offices through the realignment and coordination of services furnished by these offices.

(4) A decrease of $782,000 in "Technical cooperation with the Civilian Conservation Corps camps and other Federal and State agencies", due principally to a decrease in the number of CCC camps assigned to the Soil Conservation Service and from the further expansion of work in soil conservation districts, and the inclusion in districts of areas on which the Service has been working under this project.

(5) The decrease of $150,958 for "Operation of conservation nurseries for the furnishing of plants for use in soil and moisture conservation operations" is due to the decreased intensity of assistance to soil conservation districts as explained in paragraph 3.

WORK UNDER THIS APPROPRIATION

Objective: This appropriation item provides for the action phases of a national program for the protection of land resources against depletion due to accelerated erosion, and, in general, involves the making of conservation surveys, carrying out of soil and moisture conservation operations on demonstration projects, and in cooperation with soil conservation districts, Civilian Conservation Corps, and other Federal and State agencies.

The problem and its significance: During the past 100 years nearly half (282,000,000 acres) of the total potential cropland in the United States has been essentially ruined for further practical use by man-accelerated erosion and misuse of the land. In addition, there are in crops over 73,000,000 acres of land which is too steep, too rough, or too infertile for profitable cultivation. Continued misuse at this rate of the remaining 342,000,000 acres of cropland will by the end of the next 100 years seriously affect the Nation's capacity for the production of vital foods. We have only about 60,000,000 acres now in crops that are both good productive land and reasonably free from the hazards of erosion. Even these lands must be properly managed if they are to remain permanently productive.

The tragedy of the erosion problem is the rapidity with which it has occurred. The efforts already expended to stop the depletion of the soil must be maintained. A conservative estimate of direct financial loss to American farmers due to erosion is placed at $400,000,000 annually, based upon the loss of plant nutrients -- the raw materials that produce bread, meat, milk, and textiles. In addition, enormous outlays for the protection and maintenance of highways, railroads, and waterways and the rehabilitation and maintenance of human health are indirectly attributable.

Erosion is eating away the fertile fields and has raised havoc with the well being of the land and the people. It has left the farmer with gullied fields and barren slopes and the consequences of a total collapse of his resources. Erosion has paralyzed the existence of many farm communities, leaving as monuments schools, roads, and other municipal facilities deteriorated and dilapidated. It has caused thousands of the 30,000,000 farm population to face the future with despair and to follow the mirage of better days into industrial areas or with the transient brigades. In recognition of the seriousness of the erosion problem, 42 States have enacted legislation to stimulate and aid community effort in fighting erosion.

Soil conservation is a vital factor in the War effort. Defense of the productive soils of the Nation against the causes of exploitation and waste is an absolute requirement for the continued life of the Nation.

General plan: The work under this appropriation item has been organized under five headings, namely: (1-a) general conservation surveys, including cartographic and multilithing activities necessary to the reproduction of conservation survey maps, (1-b) conservation operations on demonstration projects, (1-c) cooperation with soil conservation districts, (1-d) technical cooperation with other Federal and State agencies, and (2) operation of conservation nurseries.

Main reliance for material and permanent conservation of soil and water resources resides in holding the rain where it falls and harmonizing land use with capabilities through more effective and widespread application of established methods of erosion control. The Soil Conservation Service since its inception has attempted to establish those conservation practices best suited to the characteristics of the land insofar as economic considerations permit. It is imperative in carrying out all phases of this program that an adequate physical inventory of the land be obtained and that this inventory be made available to the technicians and farmers in the form of maps. Technical information, concerning the type of soil, class of slope, type and degree of existing erosion and present land use, is fundamental to a proper determination, understanding, and solution of land-use problems. This information is also needed by the personnel of the Service when they are called upon to assist in planning by local groups, such as State and county planning.

Practical soil conservation is a matter of accomplishing the maximum degree of balance between land adaptability and land use, insofar as compatible with economic and social limitations. The best approach to the problem, to insure full recognition of these limitations, is made by shifting responsibility for formulating and carrying out an erosion-control program to the shoulders of local people, especially of the farmers themselves, on whose lands the conservation measures will be practiced. By this means the initiative for progress comes from the people on the land as a result of their local needs. Such cooperative action is provided for in all but six States, as of January 1, 1942, by legislation permitting the organization of soil conservation districts. Thus, there is established an arrangement whereby farmers or ranchers within a watershed, or other land-use area, may organize for community action and mutual protection in combating the soil erosion problem.

Legislation in 42 States insures cooperative dealing with a common problem and authorizes organized farmers to ask and receive help from whatever agency is in a position to assist them. Through this medium the Soil Conservation Service will furnish technical planning and supervision, and in some cases supply planting materials and loan equipment to these districts. Coordination of national and local needs and interests in the solution of soil and moisture conservation can thus be achieved.

Examples of progress and current programs:

1-a "Cartographic and multilithing activities necessary to map reproduction for all Service activities and physical land surveys outside established work areas." During the past year the cartographic and multilithing facilities of the Service have been taxed to capacity to furnish map reproductions from aerial photographs and other basic information required to show physical land factors and use capabilities on areas coming within the rapidly expanding soil conservation district program. In addition, the Service has been called upon by national defense and other Federal agencies for map reproductions and other services involving the physical factors of the land.

The progress of physical surveys reported in the following paragraphs covers all physical surveys made by the Service. The cost of physical surveys outside established work areas (project 1-b, demonstration projects; 1-c, soil conservation districts; CCC camp areas, etc.) is the only survey cost charged to this work project, but physical surveys are made on all lands for which farm conservation plans are developed by the Service. The cost, however, of those surveys made within established work areas as described above, is charged to the respective projects (1-b, 1-c, etc.) covering those activities.

Substantial progress was made during the year in developing for each work area for which surveys have been completed a classification of land according to use capability and a set of recommended practices

and soil treatments for the different soil groups within each use-capability class. Such tables furnish a ready guide for fitting conservation measures to the land and for making the best use of each acre. Basic information on physical land factors is furnished from work under this project, but the classes and practices are worked out jointly by technicians in all branches of the Service with active participation of farmers, county agents, experiment station workers, representatives of other agencies of the Department, and any others who can contribute from their technical knowledge and experience.

Physical surveys and use-capability maps furnish a definite set of standards for increasing or decreasing the acreage in different crops, or in pasture, and for the best utilization of cut-over or burned-over land, particularly to meet requirements of the defense program. Shrinking demands for some crops may force a reduction in acreage; while defense needs for other products may demand an increase. If a reduction is made in tilled crops, the lands least suitable for cultivation (steep, eroded or unproductive) should be retired, and the gently sloping, productive, well-preserved lands should be used with increased efficiency. If at any time production of crops must be expanded, the expansion should take place as far as possible on the least erodible lands, or at least on lands that are thoroughly protected by soil-conserving measures. A thorough knowledge of use capability along with detailed maps permits intelligent planning rather than guess-work in recommending shifts in crop acreage.

Detailed surveys of soils, slope, erosion, and present land use were made during the fiscal year 1941 covering 35,520,000 acres, of which 27,537,920 acres are in 402 soil conservation districts. Surveys were completed during the year on 25 soil conservation districts and 16 other definite areas. The total area covered by detailed surveys on June 30, 1941, was 98,924,800 acres, of which 36,400,000 acres consist of definite areas in which all of the land was surveyed. The remaining surveys were made in areas not yet completed or on scattered farms or groups of farms in connection with specific work programs.

The estimated area to be surveyed in the United States, accomplishments to date, and estimates of work to be done in 1942 and 1943 are summarized in the following tabulation:

Survey Program, Accomplishments through 1941, and Estimates for 1942 and 1943

1. Total area to be surveyed (including area already surveyed)

a.	At approximate cost of 3.1 to 4.2 cents per acre	899,017,502 acres
b.	At approximate cost of 1.0 to 2.2 cents per acre	553,703,521 acres
	Total (land within scope of SCS programs)	1,452,721,023 acres

(The remaining land in the U. S., 450,495,617 acres, is in National Forests, National Parks, Indian reservations, Military reservations, State forests, towns and cities, and other areas that are outside the scope of work done by the SCS)

2. Total area surveyed to June 30, 1941: 98,924,800 acres.

Of this, 36,400,000 acres are in definite areas where all the land was surveyed; the remainder consists of scattered farms or areas not yet completed.

3. Areas surveyed during fiscal year 1941: 35,520,000 acres at 3.4 cents per acre average field cost.

4. Areas to be surveyed under budget for 1942 and estimates for 1943:

1942	40,000,000 acres
1943	40,000,000 acres

5. Unit costs in 1941 in soil conservation districts ranged from 1.2 cents to 7 cents per acre, averaging 3.4 cents. The variation in cost is explained by the different intensities of the detailed surveys conducted, together with the fact that scattered farm mapping and progressive or block surveys are included.

1-b "Soil and moisture conservation operations by means of demonstrations in agricultural and erosion regions." Material progress has been made in private land demonstrational projects during this fiscal year. Work has now been conducted on 182 separate demonstrational private land projects and four watershed projects since the inception of the Service. This work involves some 34,250 farms and ranches and 5,245,000 acres in demonstrational projects and 1,150 farms and ranches and 6,500,000 acres in watershed projects.

The work in 157 demonstrational projects has been completed insofar as actual work phases are concerned. Forty-seven of these projects are being continued during 1942 on a maintenance basis. During the current fiscal year material advancement was made in the development of better control methods which enabled the Service to show land owners and operators the tangible advantage of proper tillage, contour cultivation, strip cropping, and other soil conservation practices. Soil conservation methods are being used by owners and operators of farms and are being studied and applied by nearby land owners and operators. This is evidenced by the fact that such owners and operators are now beginning of their own accord to adopt soil conserving practices.

Many of the demonstration project areas have been incorporated within the boundaries of soil conservation districts. Maintenance expenditures for these projects are included in the estimate for districts (project 1-C). In the fiscal year 1942 the Service contemplates

maintenance expenditures on 47 projects at an average cost of approximately $4,610 and operation expenditures for 26 projects averaging $14,740. These averages exclude proposed expenditures from this financial project for work in Puerto Rico and Hawaii and on watershed projects. In 1943 it is anticipated that approximately 22 additional maintenance projects will be incorporated within newly formed districts and that limited operation work will be undertaken on 10 new projects as funds within the estimate permit.

The demonstration program is now being carried on at about the most useful level. Further expansion is not contemplated in this approach to the conservation program. However, continued work is necessary on a demonstrational project basis, and a limited number of new projects are being planned in communities and regions where economic distress due to the misuses of land is more critical.

1-c "Soil and moisture conservation operations in cooperation with soil conservation districts established under State laws." The inherent relation of economic dislocation on farms and in farming communities to problems of erosion control has given rise to one of the most phenomenal movements in agricultural history — the organization and operation of soil conservation districts. These soil conservation districts are local units of governments, organized under State laws and answerable to the State legislature. They operate, in most cases, over naturally bounded areas, and come into existence only in response to the petition and favorable referendum vote of the land-owners and operators carrying on agricultural operations within their boundaries. In this way the necessary basis has been laid for the maximum exercise of initiative and responsibility by the farmers themselves.

The development of soil conservation districts is based on the premise that primary responsibility for soil conservation rests upon the shoulders of the farmers. By good farm management, soil saving, and improvement practices can be made to contribute to the economic welfare of farm families. Federal and State agencies which are in touch with farming communities have a responsibility and opportunity to aid in the solution of such a vital problem as the conservation of the Nation's soil resources.

Within the last four years 42 States have adopted soil conservation district laws. These are the States of Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming. The six States in which this legislation has not been adopted as of January 1, 1942, are: Connecticut, Delaware, Massachusetts, New Hampshire, Rhode Island, and Missouri.

The interest of the Department and the Service in the activities of soil conservation districts lies in the fact that the objectives of good land use are common to both. These districts, local autonomous bodies in carrying out a well rounded and comprehensive program, are badly in need of the technical guidance, and other assistance which the Department may be in a position to furnish. In several ways, therefore, the Department can realize many of its objectives very effectively and at a low cost per acre by working with and through the districts. A cooperative relationship between the districts and the Department will enable each to supplement the other's activities and achievements by extending soil and moisture conserving practices over a wide area in the interest of the general welfare.

As of the end of the fiscal year 1941, 548 soil conservation districts have been established in 38 of the 42 states which have enacted soil conservation district laws. These districts cover an area of approximately 332,000,000 acres. It is estimated an additional 280 districts will be organized by the end of the current fiscal year making a total of 828 districts organized by June 30, 1942. With the rapid strides that are being made in the organization of soil conservation districts, it is obvious that a preponderant part of the soil and moisture conservation work of the Department will be through active assistance to soil conservation districts.

The rapid progress that has been made in the number of soil conservation district laws which have been enacted; the number of soil conservation districts which have been organized as of the end of the fiscal years since 1937 and estimated to 1943 is set forth below:

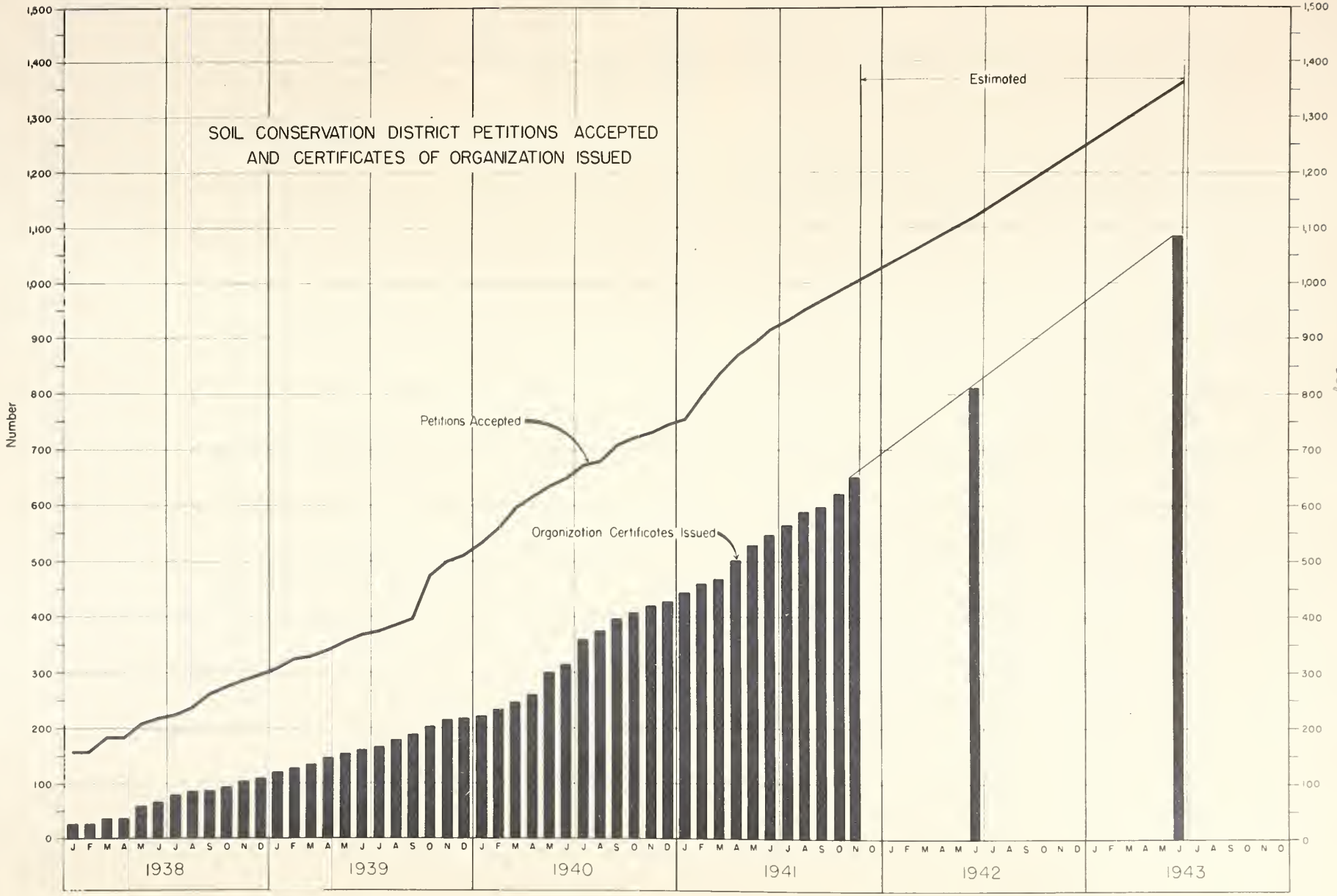
	Actual					Estimated	
	1937	1938	1939	1940	1941	1942	1943
No of States enacting district laws	16	25	35	37	42	43	45
* No. of districts organized	0	66	161	314	548	828	1,084

The number of acres covered by farmer-district agreements based on individual farm conservation plans which the districts have entered into with farmers and ranchers, including application of practices, is indicative of progress. This progress is set forth in the following tables for the fiscal years 1938 to 1941, inclusive:

	1938	1939	1940	1941
No. of Farmer-District Agreements	831	6,342	22,149	42,678
No. of acres covered by such agreements	406,349	1,611,405	4,521,625	9,460,721
Additional acres in districts involving assistance prior to detailed planning activities	- -	85,980,000	183,480,000	316,000,000

* See table I, page 27

TABLE NO. 1


SOIL CONSERVATION DISTRICT PETITIONS ACCEPTED
AND CERTIFICATES OF ORGANIZATION ISSUED
Number
Petitions Accepted
Organization Certificates Issued
Estimated
1938
1939
1940
1941
1942
1943

During the past fiscal year the Service has assisted in preparing 42,678 farmer-district agreements covering a total of 9,460,721 acres. It is to be noted that twice as many agreements were written during the 1941 fiscal year as were written in any of the three previous years. Furthermore, the acreage covered by these agreements far exceeds the acreage covered by the agreements written in the three preceding years.

The formulation of plans for an application of soil conservation work on 16,000,000 acres since 1938 has materially increased the value of not only the farms affected, but the surrounding farms. A recent survey of 2,257 farms which are cooperating with the Department in the Southern Great Plains region of the United States indicated that 88.6% of the farmers reported an increase in the value of their farms as a result of practicing conservation measures; 95% expressed their intention of continuing the program on their farms after the expiration of the cooperative agreements; 70.4% expressed the opinion that none of the practices recommended by the Service should be terminated from the conservation program. Farmers in soil conservation districts all over the nation have expressed similar reaction.

1-d "Technical cooperation with Civilian Conservation Corps camps and other Federal and State agencies." Any effective soil conservation and improvement program requires leadership and education. Approximately six and one-half million farm operators need to become "soil conscious" and follow practices that will conserve and improve the soil resources of this nation. Since farming is a basic industry, the urban population also has an interest in this problem. Anything that affects the soil for good or ill likewise affects industry and commerce. The welfare of each individual, as well as the nation, rests ultimately upon maintaining our soil resources.

In order to employ every available means for encouraging the adoption of soil and moisture conservation practices and to create a greater public realization of the indispensability of our soil resources, close cooperation is being maintained with State and Federal agencies interested in conservation work, particularly State and Federal Extension Services, State Forestry Agencies, CCC Camps, the Agricultural Adjustment Administration, the Farm Security Administration, and the Farm Credit Administration. In forty (40) States, 49 men were employed during the past year in cooperation with the Extension Service to assist in the development of local conservation programs in cooperation with county agents, and to disseminate information to soil conservation districts. Extensive cooperative activities are in progress on lands with which the Farm Security Administration is concerned and cooperative surveys and programs for proper land use practices on these lands are now in progress. With respect to CCC Camps, closer cooperative relations have been developed by further refinement of programs carried on by such camps.

The fight against erosion will be facilitated by the thorough coordination of programs and coordination of efforts by all States and Federal agencies concerned with the problem. The job is a big one. It will take a long while to repair the soil neglect, misuses, and maladjustments which have resulted in soil poverty, erosion, land abandonment and, in far too many cases, human poverty, distress and ruin. It demands the concerted action of all hands. The Soil Conservation Service is using the funds appropriated under this item to insure coordinated action and to extend technical assistance to all agencies cooperating in the program to save the land.

(2) "Operation of conservation nurseries for the furnishing of plants for use in soil and moisture conservation operations." The revegetation of eroded areas to which conservation measures are applied under the action program of the Service requires an adequate source of suitable planting materials. Through the operation of nursery units plants and seeds are produced, collected from wild habitats and purchased to meet the pressing need for planting stock. In addition to procurement, collection and production of planting stock, these nursery units carry on a plant observational program to find plants and planting methods best suited for specific erosion control purposes.

The following statement indicates the number of nurseries and the purchase or production and collection of planting materials during the fiscal years 1941, 1942, and 1943:

Summary of Nursery Stock and Seed Production and Collection

Item	Produced in Nurseries	Collected	Purchased	Totals
		Fiscal Year 1941		
Number of nursery projects				32
Woody plants	84,000,000	1,200,000	-	85,200,000
Herbaceous plants	41,201,000	25,000,000	-	66,201,000
Grass seed (pounds)	120,000	858,000	100,000	1,078,000
Tree & shrub seed (pounds)	-	498,280	-	498,280
		Fiscal Year 1942 (Revised Estimate July 1, 1941)		
Number of nursery projects				30
Woody plants	72,975,215	1,963,400	10,000,000	84,938,615
Herbaceous plants	69,215,600	25,000,000	-	94,215,600
Grass seed (pounds)	200,000	1,477,258	100,000	1,777,258
Tree and shrub seed (pounds)	-	464,813	-	464,813
		Fiscal Year 1943 (Estimated)		
Number of nursery projects				30
Woody plants	68,000,000	2,000,000	15,000,000	85,000,000
Herbaceous plants	70,000,000	25,000,000	-	95,000,000
Grass seed (pounds)	200,000	1,600,000	200,000	2,000,000
Tree & shrub seed (pounds)	-	500,000	-	500,000

As a consequence of a change in language in the 1941 Appropriation Act of which this item is a part, it has been possible for the Service to arrange for the production of a portion of its requirement for stock in private and State nurseries. Large quantity deliveries of stock under this new authority, as a result of contracts entered into during the fiscal year 1941 and contracts to be negotiated, will begin in the fiscal years 1942 and 1943. Anticipated deliveries of stock from these sources are indicated in the foregoing table.

In addition to the immediate task of supplying adequate quantities of suitable planting stock and seed for use in the soil conservation program of the Service, the nurseries serve as an assembly point for the planting, observation, and utilization of new plant materials. In this way, the best types of plants for specific planting site conditions are obtained and the most efficient methods of quantity production and field use are determined.

(d) EMERGENCY EROSION CONTROL, EVERGLADES REGION, FLORIDA

Appropriation Act, 1942	$75,000
Budget estimate, 1943	75,648
Net increase from 1942 for administrative promotions.....	648

PROJECT STATEMENT

Project	1941	1942 (estimated)	1943 (estimated)	Increase or decrease
Emergency erosion control, Everglades region, Florida: Research and demonstration work in soil-conservation control measures, including research and demonstration work in fire control and irrigation construction work to eliminate fire hazards, in the Everglades region of Florida.....	70,075	75,000	75,000	-
Net cost, within-grade promotions.....			648	+648
Unobligated balance.....	4,925	-	-	-
Total.....	75,000	75,000	75,648	+648

WORK UNDER THIS APPROPRIATION

Objective: The stabilization of the ground-water table in the Florida Everglades region by controlled drainage and water-holding dykes, levees, and other mechanical structures for the elimination of fire hazards and conservation of water and soil resources.

The problem and its significance: Uncontrolled drainage during the wet seasons causes excessive loss of water needed for maintaining a higher water table throughout the dry season. The resulting low water tables during dry seasons are conducive to extensive damage from fires and the even more serious soil deterioration brought about through organic action. In the absence of proper moisture distribution regulatory measures, full soil productivity is not realized, droughts occur and crop losses follow.

The Everglades area proper comprises approximately 2,700,000 acres of land of which over a million acres have been affected to some degree by fire. In many places during the last 20 years, fire has burned

through the whole depth of the accumulated peat which it has taken 2,000 to 3,000 years to build up. Serious soil subsidence has occurred over the entire 100,000 acres, approximately all cultivated land, around the southern shore of Lake Okeechobee. In extreme cases the subsidence has amounted to as much as 4 feet of approximately 12 feet of productive muck soil in the immediate area. Proper drainage and water-level control in the Everglades Region will conserve the productivity of these lands and open wide areas for profitable cultivation.

General plan: Federal funds expended under this appropriation are matched dollar-for-dollar with State funds made available through the Florida Everglades Fire Control Board, the Internal Improvement Fund, Dade County fire control work, and other political sub-divisions of the State.

Detailed surveys are being made to determine (a) the extent of developed and undeveloped agricultural land and (b) land-use capabilities. The initial work consists of reconnaissance and detailed conservation and topographic surveys which are the source of basic information for the operations phases of the program. This involves the development of water management practices and fire prevention, and includes the construction of earthen dikes, control dams, and related structures.

Examples of progress and current program: During the fiscal year 1941 an experimental water control system was completed on segments of the North New River Canal and several control dams were constructed on other canals in the region. In the past year the Service entered into cooperative agreements with farmers in the area for the installation of field tests in drainage and irrigation practices on agricultural lands. In addition, reconnaissance and detailed surveys previously under way were and are being carried on with a view toward determining the extent of developed and potential agricultural land in the area, the land-use capabilities, the depth and character of the muck and peat, the extent of the burned-over areas and the nature of the general supporting sub-strata.

Work thus far indicates that the most advantageous results are likely to be obtained from methods being devised to regulate the water table by carrying off excess water during wet periods and releasing available water reserves to raise the water table in areas liable to excessive fire hazards during dry periods. Some of the work completed includes the following:

(a) Engineering surveys:
234 miles of control base line
415 miles of topographic lines (including construction lines)

(b) Soil surveys:
850 square miles of reconnaissance surveys
90 square miles of detailed conservation surveys

(c) Construction:
10.9 miles of muck dikes
1.5 miles of rock barrow canal
.3 dams (partially completed)

SUPPLEMENTAL FUNDS

(Complete Bureau Statement)

(1) Direct Allotments

Projects	Allotments 1941	Estimated allotments 1942	Estimated allotments 1943
Agricultural Adjustment Administration (payments for agricultural adjustments) Conservation surveys to determine the extent and distribution of erosion in Puerto Rico (in lieu of sugar tax funds) (1940 balance available in 1941).....	$1,328	-	-
Conservation and Use of Agricultural Land Resources, Department of Agriculture, (Soil Conservation Service): For purchase or production of nursery stock for conservation and use of land resources..	37,500	$10,000	-
Special and Technical Investigations, International Joint Commission, (United States and Great Britain) (Transfer to Agriculture): Appraisal of results of increasing the height of ground-water table of lands adjacent to Kootenai Lake.....	1,500	1,500	$1,500
Flood Control, General (Transfer to Agriculture): Soil conservation operations in connection with national flood control program	1,619,193 1/	906,884 2/	262,865
Development of Water Facilities, Arid and Semi-Arid Areas, Department of Agriculture: Development of water facilities in connection with soil conservation programs.....	257,092	315,000	161,310
Land Utilization and Retirement of Submarginal Lands (Soil Conservation Service)	2,284,084	2,133,847	647,555
Cooperative Farm Forestry:			
For cooperation with States in conducting intensive farm forestry demonstration projects.....	130,974	129,018	129,018
For Prairie States Farm Forestry.....	- -	- -	298,000
Total, Cooperative Farm Forestry	130,974	129,018	427,018

1/ Of which $166,652 is estimated to be obligated in fiscal year 1942.
2/ Of which $328,401 is estimated to be obligated in fiscal year 1943.

Projects	Allotments 1941	Estimated allotments 1942	Estimated allotments 1943
Public Works Administration, (Allotment to Agriculture, Soil Conservation Service): For construction of dams for storage of water, roads, buildings, fences, power lines, and other improvements.....	$400,000	---	-
Emergency Relief, Agriculture, Soil Conservation Service, Administrative Expenses (Transfer from W.P.A.):			
Administrative expenses in connection with a national program of soil conservation.....	16,860	6,420	-
Administrative expenses in connection with land utilization projects.....	23,116	-	
Total, as above.....	39,976	6,420	-
Emergency Relief, Agriculture, Soil Conservation Service, Federal Non-Construction Projects (Transfer from W.P.A.) & Emergency Relief, Agriculture, Soil Conservation Service, Federal Construction Projects (Transfer from W.P.A.):			
For a national program of soil conservation.....	555,564	2,150	-
Physical improvements in connection with the land utilization program.....	555,519 2/	-	-
Total, as above.....	1,111,083	2,150	-
Loans, Grants and Rural Rehabilitation: For development of water facilities in connection with rural rehabilitation programs	340,909	240,000	-
Working Fund, Agriculture, Soil Conservation Service (Advance from Acquisition of Land for Military Purposes, National Defense) (Transfer from War Department): For acquisition costs (except direct cost of land) incident to purchase of land for military purposes	150,000 3/	55,000	-

1/ Available until June 30, 1942
2/ Of which $18,878 is estimated for obligation in F. Y. 1942
3/ Of which $25,430 is estimated for obligation in F. Y. 1942

Projects	Allotments 1941	Estimated Allotments 1942	Estimated Allotments 1943
Working Funds, Agriculture, Soil Conservation Service (Advance from Construction of Buildings, Utilities and Appurtenances at Military Posts (Transfer from War Department): For acquisition costs (except direct cost of land) incident to purchase of land for military purposes.....	-	85,500	-
Working Fund, Agriculture, Soil Conservation Service (Advance from Expediting Products of Equipment and Supplies for National Defense (Transfer from War Department): For acquisition costs (except direct cost of land) incident to purchase of land for military purposes.....	-	6,000	-
Working Fund, Agriculture, Soil Conservation Service (Advance from Construction of Buildings, Utilities and Appurtenances) (Transfer from War Department): For acquisition costs (except direct cost of land) incident to purchase of land for military purposes.....	-	25,000	-
Total Supplemental funds (direct allotments).....	$6,373,639	3,916,319	$1,500,248

(2) Indirect Allotments

Project	Allotments 1941	Estimated allotments 1942
Civilian Conservation Corps (Allotment through the War Department)	$11,294,176	$6,996,517

PASSENGER-CARRYING VEHICLES

The authorization for the purchase of passenger-carrying vehicles for the Soil Conservation Service provides for a decrease in the number of cars estimated to be purchased from 332 in the fiscal year 1942 to 285 in the fiscal year 1943. The 285 cars to be purchased in the fiscal year 1943 will permit the replacement of 285 vehicles at an estimated average net cost, including freight, of $702 per unit when exchange allowances on old cars are taken into account, or a total net cost of $200,000.

Because of defense priorities and the possible further curtailment of automobile production in 1943, authorization is not requested for the replacement of all units needing to be replaced. As of the close of the fiscal year 1941 there were 1814 passenger-carrying vehicles in current use. A considerable number of these units were purchased in 1937, 1938 and 1939 and are now, or will be in 1943, over five years old. Intensive efforts toward preventive maintenance and adequate repair have increased the average mileage life of automobiles operated by the Soil Conservation Service from 55,000 miles in 1939 to 80,000 miles in 1941. Cars are profitably driven about 16,000 miles per year and therefore are in need of replacement in five years. Although one-fifth (363) of the cars now in operation should be replaced, and although notable progress toward the transition of the Service program along the soil conservation district plan will be realized, thereby further intensifying the need for vehicles in view of the considerations previously stated, a decrease of 47 in the number of cars to be purchased is proposed.

The use of the passenger-carrying vehicle is practically indispensable for the proper conduct of the Bureau's varied activities throughout the country. The common carrier is not well suited to this work, as the work is generally performed in areas where public transportation is inadequate. From the experience of the Service it has been found that Government-owned passenger-carrying vehicles, where continuous and extensive use is involved, can be operated and maintained with less cost to the Government, including depreciation, than personally-owned cars on a reimbursement basis. The replacement of the vehicles contemplated by these estimates, therefore, is essential to carry on the work of the Bureau in the most economical and advantageous manner possible.

CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES

This appropriation is provided for the purpose of carrying into effect sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, as amended, approved February 29, 1936 (16 U.S.C., 590g-590q), and the Agricultural Adjustment Act of 1938, as amended, approved April 7, 1938 (52 Stat., 31-70)

Appropriation Act, 1942	$499,388,671
Budget estimate, 1943	450,000,000
Decrease	49,388,671

PROJECT STATEMENT

Project	1941	1942 Estimated	1943 Estimated	Increase or decrease
Payments to farmers for conservation practices under Sec. 7-17, Act of Feb. 29, 1936	$467,370,687	$498,196,796	$452,151,466	-$46,045,330
A.A.A., Administrative expenses, (D.C. and field) .	11,164,365	12,288,653	12,288,653	---
Allotments and transfers to agencies cooperating in A.A. Act of 1938 programs, as shown in budget schedules	2,317,177	2,351,694	2,607,355	+255,661
Total obligations, Agricultural Conservation Program	480,852,229	512,837,143	467,047,474	-45,789,669
Transferred for:				
Regional Laboratories . . .	3,000,000	3,500,000	4,000,000	+500,000
Adjustments in Freight Rates	74,900	84,800	85,109	+309
Grand total obligations	483,927,129	516,421,943	471,132,583	-45,289,360
Reimbursements from other appropriations, bureaus or agencies	-12,693,247	-3,440,427	-2,909,648	+530,779
Received by loan from Commodity Credit Corporation . .	-23,000,000	-28,412,151	-30,000,000	-1,587,849
Repayment of loan from Commodity Credit Corporation	+17,309,734	+14,819,306	+11,777,065	-3,042,241
1940 unobligated balance reappropriated in 1941 . . .	-27,021,503	---	---	---
Transferred to Salaries and expenses, public buildings and grounds in the D. C.	+34,627	---	---	---
Total	438,556,740	499,388,671	450,000,000	-49,388,671

CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES

This appropriation is provided for the purpose of carrying into effect sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, as amended, approved February 26, 1936 (16 U.S.C., 590a-590q), and the Agricultural Adjustment Act of 1938, as amended, approved April 7, 1938 (50 Stat., 31-70)

Appropriation Act, 1942	$[illegible]
Budget estimate, 1943	[illegible]
Decrease	[illegible]

Project statement

Project	1941	1942 Estimated	Increase or decrease Estimated, 1943
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

INCREASES AND DECREASES

As indicated by the above statements there is a decrease of $49,388,671 in the appropriation requested for 1943. This proposed reduction will be applied equally to the acreage adjustment payments and those for soil conserving and soil building practices.

CHANGES IN LANGUAGE

The estimates include proposed changes in language, the effect of which are as follows:

(1) to eliminate the authorization for the replacement in the fiscal year 1942 of an automobile for the official use of the Administrator of the Agricultural Adjustment Administration;

(2) to substitute "July" for "September" since this change will facilitate the administration of agricultural conservation programs in some parts of the country where programs beginning July 1, and ending June 30, conform better with farming operations than programs starting and ending at a later date. The proposed change will make it possible for conservation payments to be made earlier in the year in such sections;

(3) to substitute "$4,000,000" for "$3,500,000" for the four regional research laboratories, pursuant to the provisions of section 202 (a) to 202 (e), inclusive; (This item is explained under the heading "Regional Research Laboratories")

(4) to substitute "1942, 1943, and 1944" for "1941 and 1942" in order to permit the ordering of conservation materials and services to be used in connection with not only the 1942 and 1943 programs which will be current during the fiscal year 1943, but also in connection with the 1944 program. This need has arisen due to the fact that programs are now being started at an earlier date in certain sections of the country, and in at least five States, it is anticipated that the 1944 program will begin July 1, 1943. Conservation materials and services in connection with that program should be ordered during May and June, 1943, in order that certain materials be available for delivery and distribution in July;

(5) to insert appropriate language in order that the funds made available under the head "Conservation and Use of Agricultural Land Resources" in the Department of Agriculture Appropriation Act, 1942, may be used to purchase conservation materials and services in connection with the 1943 program, the situation being similar to that described in the immediately preceding paragraph;

(6) to eliminate the proviso relating to the availability of the funds provided by section 32 of the Act entitled "An act to amend the Agricultural Adjustment Act and for other purposes" approved August 24, 1935, since that proviso, as amended, is included under the head "Exportation and Domestic Consumption of Agricultural Commodities, Department of Agriculture";

(7) to eliminate the reference to the availability of the 1941 fiscal year appropriation "Parity Payments, Department of Agriculture" through the fiscal year 1943;

(8) to eliminate reference to payments to be made to persons farming as tenants or sharecroppers on cropland owned by the United States as it is not anticipated that such exceptions will be made in the future;

(9) to add new language at the end of the item "Conservation and Use of Agricultural Land Resources" as follows: "beginning with the fiscal year 1942, each appropriation to enable the Secretary of Agriculture to carry into effect, any program administered through the Agricultural Adjustment Administration may, in the discretion of the Secretary, be reimbursed out of the then current appropriation for the agency affected, for a fair share of the administrative expense, as estimated periodically or in advance by the Agricultural Adjustment Administration, of maintaining registers of indebtedness and making out of such Agricultural Adjustment Administration appropriation, set-offs under the order entered by the Secretary on May 8, 1937, as heretofore or hereafter amended, in favor of any other agency of the Government".

This language is necessary because of the increasing volume of expense incurred in checking approximately 6,000,000 applications for payment against the register of indebtedness maintained in each State and county office. Over twenty percent of the 67,500 debtors listed thereon (excluding approximately 400,000 cases of indebtedness to the Agricultural Adjustment Administration arising out of crop insurance premium advances) are for items of indebtedness due and payable to other bureaus and agencies of the Department which have requested the Agricultural Adjustment Administration to collect from cooperators under the farm programs. These items represent indebtedness totaling $2,500,000. The cost of compiling, maintaining, and checking the Register of Indebtedness and the cost of effecting set-offs is borne entirely by the Agricultural Adjustment Administration out of funds appropriated for making payments to farmers and no compensatory duties are performed by the bureaus and agencies for which such collections are made. The Comptroller General has ruled in his decision A-44022, dated June 7, 1938, that Section 601 of the Economy Act "does not authorize the transfer of appropriated funds from one department or agency of the government to another for use in paying administrative expenses of such department or agency incident to the performance of duties properly pertaining to it or which regularly may be required of it." The decision further states that "any expenses incident to the withholding by the Department of Agriculture of any payments otherwise due from it which properly are for applying against indebtednesses to the United States of the persons to whom such payments otherwise are due are to be borne by the appropriations made to the Department of Agriculture." Accordingly the addition of this language will permit reimbursement to the AAA which cannot be done under existing legislation.

WORK UNDER THIS APPROPRIATION

General:

The work under this appropriation is concerned with carrying into effect the programs formulated under Sections 7 to 17 of the Soil Conservation and Domestic Allotment Act, as amended, and under the Agricultural Adjustment Act of 1938, as amended (except the making of payments under Sections 303 and 381 and the provisions of Titles IV and V).

Objective:

The aims of the agricultural conservation and related programs are:

(1) to direct farming efforts toward the production of those agricultural commodities needed by this nation and our allies by diverting lands from the production of those commodities of which there is an excess;

(2) to increase farm income by providing farmers with a means of stabilizing market supplies and prices of their products through acreage allotments, marketing quotas, loans, and crop insurance;

(3) to preserve and build up the nation's soil resources by planting soil-conserving crops and carrying out soil-building practices;

(4) to protect rivers and harbors against the results of soil erosion and to aid in maintaining the navigability of waters and water courses and in flood control.

The problem and its significance:

During, and immediately following, the first World War farmers increased production to meet wartime demands and to take advantage of the high prices. Over 40 million acres of grassland were plowed up and the results remain with us today in the form of erosion, areas subject to dust storms, lower farm income, etc. An attempt is even now being made to restore that land to some form of safe use. As production increased due to expansion and improved production methods, surplusses piled up and at the same time farm markets diminished because of the loss of exports through foreign and domestic tariff policies. These protective tariffs together with other industrial devices kept the prices of manufactured goods high and the actual buying power of farm products became progressively lower. The farmers, in an effort to overcome the disadvantage of lower income further increased production with the result that by 1930 more than 100 million acres which should never have been in cultivation were seriously damaged by erosion. It was recognized that there was urgnet need for an organized farm program to assist the farmer in adjusting his production to meet the changing demand situation and to provide for soil conservation.

The enactment of the Soil Conservation and Domestic Allotment Act provided for the soil conservation features of the present programs and farmers

received payments for shifting acreages from soil-depleting to soil-conserving crops and for carrying out soil-building and soil- conserving practices on farm and range lands. It was evident, however, that a soil conservation program by itself was not broad enough to protect the income and status of the farmer.

The Agricultural Adjustment Act of 1938 was enacted to supplement the Soil Conservation and Domestic Allotment Act and these acts provided for:

(1) conservation payments to producers who plant within their acreage allotments of soil-depleting crops and carry out soil-building practices;

(2) parity payments(when appropriations are made therefor and if required under the formula) to producers of the commodities corn, wheat, cotton, tobacco, and rice upon their normal production of such commodities;

(3) commodity loans to support farm prices and store reserves;

(4) marketing control of surpluses when approved by two-thirds of the producers voting and a penalty on those producers who market in excess of their quotas;

(5) crop insurance on wheat and cotton.

Marketing quotas are in effect only in years of unusually burdensome supplies in order to regulate marketing and to assure a fair share of the market to those farmers who are adjusting their production in an effort to balance supplies with demand. Quotas are applicable to non-cooperators to the same extent as cooperators and producers are penalized on marketings in excess of quotas.

Loans which are made on agricultural commodities in years of abundant supplies and low prices hold surplus supplies off the market until needed. This builds up an ever normal granary, a reserve supply which can be drawn upon when the necessity arises.

In this period of world crisis, agriculture has much to contribute to national defense. Since it is our slogan that "food will win the war and write the peace" the Agricultural Adjustment Administration, with its direct line of contact from the Secretary of Agriculture to each farmer of the nation, will continue to make all of its facilities available for any additional work leading towards a victorious conclusion of the war.

The Agricultural Adjustment Administration is particularly fortunate because of the flexibility of its programs to meet changing conditions, and the emphasis has been shifted to step up the production of certain food supplies such as tomatoes, snap beans, soy beans, peas, dairy products and poultry needed for domestic consumption and for our allies. The production of certain commodities of which there are surpluses due to the loss of export markets will be curtailed and the production of certain other commodities will be kept steady. The planting of soil-conserving crops during

the last few years has helped materially in providing grazing lands and feed for the accelerated production of dairy products, hogs, and other products, and the soil-building practices being carried out at present will store fertility in the soil which, when needed, can be converted into the desired food and fiber.

The following table compares 1942 goals with estimated production in 1941 and with average production for the 1936-1940 period:

Commodity	Unit	1936-40 Average	Est. 1941	1942 goal or expected production
Sugar, Rice and Beans				
Sugar	Acres	-----	Cane 285,000 Beet 800,000	No acreage limit expected
Rye	"	3,533,000 (harvested)	3,436,000 (harvested)	Same as 1941
Rice	"	1,047,000	1,186,000	1,200,000
Dry beans	"	1,880,000	2,220,000	Same as 1941
Potatoes and Sweet Potatoes				
Potatoes	Acres	3,132,000	2,988,000	Abt. 3,060,000
Sweet Potatoes	"	836,000	843,000	" 850,000
Vegetables				
Commercial Vegetables				
Fresh Use	Acres	1,824,000	1,843,000	1,935,000
Processed	"	1,319,000	1,487,000	1,500,000
Farm gardens	No.		4,431,000	Abt. 5,760,000
Fruits				
Citrus fruit	Tons	4,800,000	5,200,000	(Since fruit (production can- (not be quickly (increased em- (phasis will be (on better dis- (tribution and (prevention of (waste.
Deciduous				
Fresh use	Tons	9,000,000 1/	9,600,000 1/	
Canned	Cases	28,300,000	33,000,000	
Dried	Tons	550,000	600,000	

1/ Total fresh production for all uses, except than non-commercial apples are not included.

Commodity	Unit	1936-40	Est. 1941	1942 goal or expected production
		Forest Products		
Lumber	Bd. ft.	24,800,000,000	31,500,000,000	32,000,000,000
Pulp wood	Cords	9,300,000	15,000,000	15,800,000
All other wood	Cu. Ft.	5,300,000,000	5,850,000,000	6,100,000,000
Naval stores Turpentine	Bbls.	452,000	285,000	400,000
		Milk and Eggs		
Milk	Lbs.	106,640,000,000	116,809,000,000	125,000,000,000
Eggs	Doz.	3,400,000,000	3,676,000,000	4,000,000,000
		Meat Animals		
Hogs	Number Slaughtered	63,196,000	71,000,000	79,300,000
Beef & Veal	"	24,850,000	25,100,000	28,000,000
Chickens	"	644,000,000	680,000,000	750,000,000
Lamb & Mutton	"	21,902,000	22,400,000	22,900,000
		Feed Grains and Hay		
Corn	Acres	93,980,000	87,363,000	87 1/2 to 90 mil.
Oats	"	36,992,000	38,197,000	Abt. 40,000,000
Barley	"	12,881,000	14,813,000	14 1/4 to 14 1/2 mil.
Grain sorghums	"	9,303,000	9,285,000	9 1/4 to 9 1/2 mil.
All hay	"	69,025,000	73,933,000	74 to 75 mil.
		Cotton, Wheat and Tobacco		
Cotton	Acres	27,858,000	23,519,000	22 to 24 mil.
Wheat	"	72,049,000	63,503,000	50 to 55 mil.
Tobacco:				
Flue-cured	"	955,600	747,700	Abt. 762,000
Burley	"	388,000	363,900	" 358,000
Other domestic	"	297,200	264,900	" 247,000

Commodity	Unit	1936-40	Est. 1941	1942 goal or expected production
		Oil Crops		
Peanuts threshed	Acres	1,736,000	1,908,000	1,600,000 for nuts 1,900,000 for oil 2/
Soybeans for beans	"	3,433,000	5,550,000	7,000,000
Flaxseed	"	1,696,000	3,228,000	Same as 1941

2/ In addition to peanut acreage allotments.

The programs being carried out by the Agricultural Adjustment Administration are administered in Washington on a regional basis with a director for each of the Western, North Central, Southern, East Central, Northeast, and Insular Divisions with operating divisions to serve all regions.

The local administration of the AAA programs is in the hands of State, county and community committees of farmers. All cooperating farmers are members of county agricultural conservation associations and the business of the association is carried out through elected committees - community and county. There is a county committee in each agricultural county in the United States and there are approximately 24,000 community committees.

The community committee bears the responsibility for explaining the program in terms of its application to individual farms and otherwise to assist the county committees in applying the farm program to the community.

The county committees elected by community committee delegates, review forms, and other documents filed in the county in connection with the programs, apportion county acreage allotments among individual farms in accordance with standards specified in the Act, fix soil-building goals, supervise preparation of applications for payment and perform general county administrative functions.

The State committees are in general administrative charge of the farm programs in the State. Their work, in part, is to review county recommendations for acreage allotments and soil-building goals, to hear appeals from decisions of county committees, to advise the regional director on general policy within the State, to outline soil-building and range-building practices, to recommend changes in the programs and to assist in the development of new programs.

Through farmer administration the AAA supplies a direct channel through which information may go to farmers and through which the demands, experience and knowledge of the farmers have flowed to shape the program to make in constantly more democratic and effective. The AAA State and county chairmen have been designated as chairmen of the USDA Defense Boards and all other facilities of the AAA are being utilized or coordinated with the "Food for Victory" work.

CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES, DEPARTMENT OF AGRICULTURE

NEW USES AND MARKETS FOR FARM COMMODITIES, REGIONAL LABORATORIES

(Allotment of funds, pursuant to Sec. 202(a) of the Agricultural Adjustment Act of 1938)

Explanatory material for this item will be found in the explanatory notes immediately following the Bureau of Agricultural Chemistry and Engineering.

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CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES, DEPARTMENT OF AGRICULTURE

ADJUSTMENTS IN FREIGHT RATES FOR FARM PRODUCTS

(Allotment of funds, pursuant to Sec. 201(a) - (d) of the Agricultural Adjustment Act of 1938)

Explanatory material for this item will be found in the explanatory notes for the Surplus Marketing Administration.

PARITY PAYMENTS

Appropriation Act, 1942 ..... $212,000,000
Budget estimate, 1943 ..... (a)

(a) The estimates for 1943 provide for the reappropriation of the unobligated balances of the 1942 and 1941 parity payment appropriations, if any, and, in addition, the Secretary is authorized to make such additional commitments as may be necessary in order to provide for full parity payments on the five basic commodities.

PROJECT STATEMENT

Project	1941	1942 (estimated)	1943 (estimated)	Increase or decrease
Parity payments to farmers under Section 303, Agricultural Adjustment Act of 1938	$212,128,110	$207,192,859	$6,282,212	-$200,910,647(1)
Agricultural Adjustment Administration, Administrative Expenses (D.C. and field)	2,682,558	3,973,824	3,973,824	---
Net allotments and transfers to other agencies cooperating in parity programs, as shown in Budget schedules.	792,476	768,903	836,227	+67,324
Grand total obligations ..	215,603,144	211,935,586	11,092,263	-200,843,323
1940 unobligated balance reappropriated for 1941	-7,974,171	---	---	---
1941 unobligated balance reapropriated for 1943	+2,015,516	---	-2,015,516	-2,015,516
1940 parity program obligations incurred in 1941 ...	-6,665,245	---	---	---
1941 parity program obligations incurred in 1942	+9,012,333	-9,012,333	---	+9,012,333
1942 parity program obligations incurred in 1943 ...	---	+9,076,747	-9,076,747	-18,153,494
Transferred to "Salaries and expenses, Public Buildings and grounds in the District of Columbia, Public Buildings Administration"	+8,423			
Total	212,000,000	212,000,000	---	-212,000,000(1)

INCREASES AND DECREASES

(1) As indicated above, there is a decrease of $212,000,000 in the amount of the direct appropriation requested at this time for 1943. However, the proposed language provides for the reappropriation of the unobligated balances of the 1942 and 1941 parity payment appropriations, if any, and, in addition, the Secretary is authorized to make such additional commitments as may be necessary in order to provide for full parity payments on the five basic commodities. Indications at this time are that nearly all, if not all, of the $212,000,000 appropriated by Congress last year for 1942 parity payments will be needed for that purpose and that the unobligated balance, if any, will not be substantial.

The 1943 parity payment appropriation or authorization now proposed would be for the purpose of making up the disparity between the farm price and the parity price of 1942 crops. Eligibility for such payments would be contingent upon compliance with the 1943 agricultural conservation program which could not be determined until the 1944 fiscal year except with respect to winter wheat producers. Therefore, 1943 parity payments may without hardship, and in most cases would necessarily be deferred until the fiscal year 1944. Accordingly, no direct appropriation is provided in the 1943 budget, but the language would authorize the Secretary of Agriculture to assure the producers of cotton, corn, wheat, rice, and tobacco that such payments would be appropriated for and made at the appropriate time. It is, of course, impossible to estimate at this time how much of a direct parity payment appropriation would be needed for 1943 parity payments. However, if farm prices on all these basic crops are below 85 percent of parity for the 1942 crop year a maximum of approximately $238,000,000 would be indicated.

CHANGES IN LANGUAGE

The Budget estimates include proposed changes in language, the effect of which are as follows:

(1) To insert language reappropriating the unobligated balances of the appropriations made under this head by the Department of Agriculture Appropriation Acts for the fiscal years 1941 and 1942, to remain available until June 30, 1945, and authorizing the Secretary to make such additional commitments or incur such additional obligations as may be necessary in order to provide for full parity payments;

(2) to provide language whereby the administrative expenses in the District of Columbia and in the field in connection with the 1943 parity program will not exceed $5,000,000, since it is anticipated that such amount will be sufficient for such purpose;

(3) to change the applicable years as required;

(4) to make all of the factors in the formula for determining the rate of 1943 parity payments based on the 1942 crop. In accordance with a proviso inserted in the 1942 parity payment language by the Congress the maximum rate of 1942 parity payments is limited to the amounts by which the average farm price or the prevailing basic loan rate, whichever is the higher, for the crop year 1941 plus the applicable rate of payment for that commodity announced under the 1942 agricultural conservation program falls below the parity price determined for that commodity. The Budget proposes that the corresponding proviso for the 1943 parity payment appropriation language be worded so that the 1942 agricultural conservation program rate will be used instead of the 1943 agricultural conservation program rate, thereby providing a formula under which all the factors used in determining the rates of payment apply to the 1942 crop.

(5) to eliminate the provisos relating to the 1941 parity payment program, since they are not necessary in the 1943 appropriation language.

WORK UNDER THIS APPROPRIATION

General:

To carry out the provisions of Section 303 of the Agricultural Adjustment Act of 1938, as amended.

Objective:

The objective of the Parity Program is to assist farmers, by means of making parity payments to the extent possible with the funds available, to obtain parity prices for wheat, cotton, corn, rice, and tobacco.

The problem and its significance:

During the past year the various factors affecting parity prices and parity income to farmers have been undergoing considerable change. Farm prices for cotton, corn, wheat, rice, and tobacco have advanced materially. At the same time, however, the prices which the farmer pays for his implements, food, feed, fertilizer, shelter, and labor, have advanced. The net result is that, while at this time farm prices are nearer to parity prices than they were last year, indications are that the prices of the things which the farmer buys with his income and the cost of farm labor will continue to increase during the 1942 marketing year and there is a stronger indication that farm prices will be stabilized at the loan rates which will be offered by the Commodity Credit Corporation. This conclusion is based on the fact that the large inventories of the basic farm commodities will have the effect of leveling off the price to the farmer of such commodities while shortages of farm equipment, farm labor, fertilizers, etc.

will cause the cost of production of the basic crops to continue to increase.

Plan of work

The Act provides that parity payments may be made to producers of cotton, corn, wheat, rice, and tobacco with the further provision that funds available for such payments shall, unless otherwise provided by law, be apportioned to these commodities in proportion to the amount by which each fails to reach parity income. Parity income for each commodity is considered to be a normal year's domestic consumption and exports of such commodity times the parity price (in the case of corn, that part of a normal year's consumption and exports determined on the basis of the proportion that corn production in the commercial corn-producing area was of the United States production during the five years 1928-1932 inclusive).

The program provides for (1) establishing farm acreage allotments for the crops to which the program is applicable; (2) the establishment of a normal yield per acre for each such crop for each farm; (3) the determination of performance; and (4) division of payments.

The local administration of the program is accomplished under the direction of State, county, and community committees which administer the agricultural conservation program, and the farm acreage allotments and normal yields established under the conservation program are also used as a basis for determining performance under the parity program.

Under the 1941 Parity Program payments are made to those producers who plant within their acreage allotments. If allotments are exceeded, the parity payment with respect to the commodity shall be reduced by not more than 10 per centum for each 1 percentum, or fraction thereof, by which the acreage planted to the commodity is in excess of such allotment. Previously, a producer who overplanted or offset performance by overplanting on another farm or by overplanting another crop to which the program applied, was not eligible to receive a payment.

Rates for the 1941 Parity Program were determined within the limits of available funds in accordance with applicable legislation as soon as the season average prices became available. These rates are as follows:

Cotton	1.38	cents per pound
Corn	5.0	cents per bushel
Wheat	10.0	cents per bushel
Rice	20.0	cents per cwt.
Tobacco(Flue)	.6	cents per pound
Other Cigar.	.7	cents per pound

THE SUGAR ACT OF 1937

Appropriation Act, 1942	$47,962,910
Budget Estimate, 1943	47,962,910

PROJECT STATEMENT

Project	1941	1942 (estimated)	1943 (estimated)	Increase or decrease
Administration of Sugar Act of 1937	$47,975,000	$47,962,910	$47,962,910	
1939 Unobligated balance reappropriated in 1941	-1,300,000	---	---	---
Total	46,675,000	47,962,910	47,962,910	---

INCREASES AND DECREASES

There is no change in the Budget in the estimated amount required for the fiscal year 1943 as compared with the amount appropriated in the fiscal year 1942. Since the preparation of the 1943 Budget the bill providing for the continuance of the Sugar Act has been approved by the President. This act includes authorization for additional sugar payments if appropriation is made therefor. It is estimated that this authorization would require an additional appropriation of approximately $10,000,000.

CHANGE IN LANGUAGE

The estimates include a proposed change in the language of this item as follows: In line four, substitution of the word, "including", for the word, "and", to clarify the meaning.

WORK UNDER THIS APPROPRIATION

General:

This appropriation is used for carrying into effect the provisions of the Sugar Act of 1937, approved September 1, 1937, (50 Stat. 903-916), as extended by Public, No. 860, approved October 15, 1940, and Public Law No. 386, approved December 26, 1941. At the time of submission of this estimate, the Sugar Act of 1937, as amended, provides for payment on the 1941 crop, which will be largely made in the fiscal year 1942, and for quotas and marketing allotments, effective through the calendar year 1941. Pursuant to Title IV of this Act, excise taxes amounting to approximately $68,000,000 are collected annually through the Treasury Department. Appropriation for each fiscal year of a sum not to exceed $55,000,000 for the purposes of administration of this Act is authorized by Section 502 of the Act.

Objectives:

The objectives of the sugar program are:

(1) the establishment of quotas and allotments regulating the supply of sugar available for marketing in the continental United States from all foreign and domestic sugar producing areas supplying the United States market which will (a) stabilize the price of sugar so that the consumers are not required to pay average prices in excess of those necessary to maintain the domestic industry as a whole, (b) protect the domestic industry, and (c) sustain or expand an export trade with countries marketing sugar in the United States.

(2) the making of conditional payments to producers in the domestic areas with respect to sugar or liquid sugar commercially recoverable from sugar beets or sugarcane grown on farms for the extraction of sugar, or liquid sugar conditioned upon (a) the elimination of child labor; (b) payment of fair or equitable wages to field laborers; (c) adjustment of the production of sugar beets and sugarcane on each farm to the amount required to provide the farm's proportionate share of the corresponding sugar market quota; (d) in the case of processor-growers, the payment to other growers from whom they purchase sugar beets and sugarcane of fair and reasonable prices for such sugar beets and sugarcane; and (e) the carrying out of approved farming practices for preserving and improving the fertility of the soil and for preventing soil erosion.

(3) The making of surveys and investigations to accomplish the purposes of the Act and also the making of recommendations in accordance therewith with respect to the terms and conditions of contracts between the producers and processors of sugar beets and sugarcane and the terms and conditions of contracts between laborers and producers of sugar beets and sugarcane.

The problem and its significance:

Declaration of war with Japan has created an emergency situation with respect to sugar.

Transference of a large percentage of available shipping bottoms to delivery of war supplies coupled with grave dangers to shipping in the Far East makes it highly improbable that any sugar may be secured from the Philippines. It is therefore of the utmost importance that continental and nearby off-shore production of sugar beets and sugarcane be sustained or expanded to compensate for an apparently grave shipping situation and the increased demands upon this industry for a war-time supply of alcohol. About 70% of the nation's sugar supply in normal times is delivered by water transportation. Only by continuation of a program of conditional payments and assurance of protection through a quota system can the continental producers be induced to maintain and increase their production.

The sugar program has in most years been a maintenance program, not a restrictive program. A large number of mainland producers have been able to plant their desired acreage of sugar beets or sugarcane in every year of the program,

without limitation. With reference to goals for food production, Secretary Wickard stated on September 8, 1941, that no limitation on sugar beet and sugarcane acreage is expected in 1942. The speculative increase in sugar prices in the late summer made it necessary for the Office of Price Administration on August 14, 1941 to place a price ceiling of 3.50 cents per pound on raw sugar. It is believed that the higher trend of sugar prices, together with subsidies to producers should make possible the maintenance of the continental sugar production in spite of the increased income available from alternative crops in the beet sugar producing area and the developing scarcity of labor in some rural communities.

Plan of work:

The Administrator of Agricultural Adjustment and Conservation has been designated by the Secretary of Agriculture as responsible for carrying into effect the provisions of this Act. The central responsibility for administration of the sugar program is lodged in the Sugar Division while the field work in connection with the making of payments to producers is performed through the several regional divisions of the Agricultural Adjustment Administration which are likewise engaged in making the payments in various geographic areas in connection with other programs of that Administration.

Pursuant to Title II of the Sugar Act, the Sugar Division works out for approval of the Secretary findings of total sugar consumption requirements of the continental United States for each calendar year and prepares for ultimate approval of the Secretary regulations establishing sugar marketing quotas for all producing areas which market sugar in continental United States and allotments of such quotas. It administers the quotas and allotments established.

The Sugar Division prepares, after public hearings, determinations and regulations, procedures and instructions relating to production payments and deficiency and abandonment payments to sugar beet and sugarcane producers in five domestic areas, determinations of fair prices to be paid growers by grower-processors as a condition of receiving Government payments, and determinations of labor and wage standards requisite for conditional payments. Payments are made in the sugar beet area by the North Central and Western Divisions, in the mainland sugarcane area by the Southern Division and in Hawaii, Puerto Rico and the Virgin Islands by the Division of Special Programs.

The Sugar Division compiles the official Departmental sugar statistics involved in the execution of the payment programs, quotas and allotment programs and the administrative control thereof. It conducts research looking toward an equitable balancing between the interests of growers and processors, laborers and growers, and consumers of sugar, making public certain findings of fact derived therefrom, and conducting investigations required in the general administration of the Act.

AGRICULTURAL ADJUSTMENT ADMINISTRATION

(a) CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES, DEPARTMENT OF AGRICULTURE

The Budget schedule covers allotments to the Agricultural Adjustment Administration from the appropriation under this heading. The appropriation is discussed in its entirety in the notes under the caption "Conservation and Use of Agricultural Land Resources, Department of Agriculture."

(b) PARITY PAYMENTS, DEPARTMENT OF AGRICULTURE

The Budget schedule covers allotments to the Agricultural Adjustment Administration from the appropriation under this heading. The appropriation is discussed in its entirety in the notes under the caption "Parity Payments, Department of Agriculture."

(c) EXPORTATION AND DOMESTIC CONSUMPTION OF AGRICULTURAL COMMODITIES, DEPARTMENT OF AGRICULTURE(AGRICULTURAL ADJUSTMENT ADMINISTRATION)

The Budget schedule covers the allotment to the Agricultural Adjustment Administration for expenses of county agricultural conservation committees in the administration of the 1941 supplementary cotton program and the cotton mattress and comforter program.

(d) PAYMENTS FOR AGRICULTURAL ADJUSTMENT, DEPARTMENT OF AGRICULTURE

The Budget schedule covers obligations from the balance of the $296,185,000 appropriated by the Supplemental Appropriation Act of 1936. These funds are available until expended to meet all obligations and commitments including salaries and administrative expenses theretofore incurred or to be incurred and rental and benefit payments in connection with adjustment contracts entered into prior to January 6, 1936, in which partial performance had been effected by the farmers and where applications for contracts were made prior to January 6, 1936, by farmers who had in good faith made adjustments in acreage and otherwise substantially complied with the requirements in connection with the crop program, regardless of whether contracts had been signed. This appropriation was necessary to complete the liquidation of moral obligations incurred under the production adjustment programs which were initiated under the authority contained in section 12(b) of the Agricultural Adjustment Act, approved May 12, 1933, and which were invalidated by the Supreme Court decision (U. S. vs. Butler).

The obligations and commitments under funds allocated directly to the Agricultural Adjustment Administration include rental and benefit payments with respect to cotton, wheat, corn, hogs, tobacco, sugar, peanuts, rice and rye; the completion of programs for the removal of surplus wheat, hogs, and peanuts, and administrative expenses, including salaries, incurred in connection with the production adjustment programs.

Obligations for 1941 and estimates for 1942 and 1943, principally for auditing expenses, are set forth in the following project statement:

	1941	1942	1943
Administrative expenses, Agricultural Adjustment Administration	$41,723	$29,550	$18,290
1936 appropriation available in 1941	-414,568		
1941 balance available in 1942...	372,845	-372,845	
1942 balance available in 1943...		343,295	-343,295
Unobligated balance.....			325,005 (a)

(a) Subsequent to the preparation of the Budget schedule $304,00 of this balance recently has been returned to the Surplus Fund of the Treasury since it appeared that such amount would not be needed for the purposes for which appropriated.

(e) SALARIES AND EXPENSES, AGRICULTURAL ADJUSTMENT ADMINISTRATION

The Budget schedule covers allotments to the Agricultural Adjustment Administration from funds appropriated by section 12(a), title I, of the Agricultural Adjustment Act approved May 12, 1933. The funds are used primarily to cover expenses incurred in developing, representing, and protecting the interests of consumers during the formulation and administration of farm programs, in accordance with the declaration of policy contained in section 2, title I, of the Agricultural Adjustment Act of 1933, as amended.

The second part of the schedule lists the allotments to other agencies of the Department, detailed schedules of which appear under the respective agencies in the budget. The following tabulation indicates the obligations for this appropriation for 1941, and estimated obligations for 1942 and 1943.

	1941	1942	1943
dministrative expenses: Salaries and expenses, Agricultural Adjustment Administration.....	$107,481	$149,125	---
llotments for:			
Extension Service.....	10,000	25,000	---
Marketing Agreements, hog cholera virus and serum.....	30,000	30,000	$30,708
Agricultural Marketing Service.....	135,000	105,000	---
Office of Foreign Agricultural Relations.....	31,800	31,800	---
Surplus Marketing Administration.....	994,452	1,054,152	---
International Production Control Committees.....	13,500	13,500	13,500
Bureau of Home Economics.....	5,000	5,000	---
Total allotments.....	1,327,233	1,413,577	44,208
ransferred to:			
Office of the Secretary (for reallotment for emergency adjustments in production of agricultural commodities)..	---	370,007	---
Miscellaneous expenses, Department of Agriculture.....	10,851	2,000	---
Salaries, Office of the Secretary.....	43,199	63,250	---
Salaries and expenses, Office of the Solicitor.....	135,620	135,120	---
Salaries and expenses, Office of Information.....	---	32,500	---
Salaries and expenses, Bureau of Agricultural Economics.....	438,130	438,130	---
Salaries and expenses, Library, Department of Agriculture.....	2,100	2,000	---
Total transfers.....	629,900	1,043,007	---
Total obligations.....	1,957,133	2,456,584	44,208
1940 balance available in 1941.....	-4,457,925	---	---
1941 balance available in 1942.....	+2,500,792	-2,500,792	---
1942 balance available in 1943.....	---	+44,208	-44,208
Estimate or appropriation.....	---	---	---

(f) ADMINISTRATION OF SUGAR ACT OF 1937, DEPARTMENT OF AGRICULTURE

The Budget schedule covers allotments to the Agricultural Adjustment Administration from the appropriation under this heading. The appropriation is discussed in its entirety in the notes under the caption "Administration of Sugar Act of 1937, Department of Agriculture."

(g) ADMINISTRATION OF FEDERAL CROP INSURANCE ACT, DEPARTMENT OF AGRICULTURE

The Budget schedule covers allotments to the Agricultural Adjustment Administration under this heading. The appropriation is discussed in its entirety under the caption "Administration of Federal Crop Insurance Act, Department of Agriculture."

(h) COMMODITY CREDIT CORPORATION, CORN MOISTURE CONTENT TESTS

The Budget schedule covers moneys advanced by the Commodity Credit Corporation for administrative expenses in Washington and in the field in connection with moisture tests on corn offered as collateral under the Corn Loan Program, pursuant to section 302 of the Agricultural Adjustment Act of 1938, as amended.

(i) COMMODITY CREDIT CORPORATION, WHEAT GRADE DETERMINATIONS

The Budget schedule covers moneys advanced by the Commodity Credit Corporation for administrative expenses in Washington and in the field in connection with the tests of the moisture content and grade of wheat offered as collateral under the Wheat Loan Program, pursuant to Section 302 of the Agricultural Adjustment of 1938, as amended.

(j) COMMODITY CREDIT CORPORATION, RYE MOISTURE AND GRADE DETERMINATIONS

The Budget schedule covers moneys advanced by the Commodity Credit Corporation for administrative expenses in Washington and in the field in connection with tests of the moisture content and grade of rye offered as collateral under the Rye Loan Program, pursuant to section 302 of the Agricultural Adjustment Act of 1938, as amended.

(k) COMMODITY CREDIT CORPORATION, BARLEY MOISTURE AND GRADE DETERMINATIONS

The Budget schedule covers moneys advanced by the Commodity Credit Corporation for administrative expenses in Washington and in the field in connection with tests of the moisture and grade of barley offered as collateral under the Barley Loan Program, pursuant to section 302 of the Agricultural Adjustment Act of 1938, as amended.

(l) INDEMNITY FUND, COUNTY ASSOCIATIONS, DEPARTMENT OF AGRICULTURE (AGRICULTURAL ADJUSTMENT ADMINISTRATION)

The Budget schedule covers assessments made against the county agricultural conservation associations to insure the United States of America, the county

agricultural conservation association, and any other agencies or persons deemed by the Agricultural Adjustment Administration to be entitled to reimbursement for losses of money or any other property caused by negligence or willful malfeasance of an officer or employee of the association.

(m) UNDISTRIBUTED COTTON PRICE ADJUSTMENT PAYMENTS, DEPARTMENT OF AGRICULTURE (AGRICULTURAL ADJUSTMENT ADMINISTRATION)

The Budget schedule covers 1935 cotton price adjustment payments which could not be paid over to the persons entitled thereto by the trustees who received the payments under such program.

(n) PROCEEDS, DISTILLED SPIRITS INDUSTRY, PARITY PAYMENTS--

The Budget schedule covers funds collected under marketing agreement No. 27, entered into by certain members of the distilled spirits industry and the Secretary of Agriculture (sections 2 and 8, Act May 12, 1933, 48 Stat., pp 31-41; U.S.C., title 5, sections 601-622).

(o) PROCESSING TAXES, SUGAR, PUERTO RICO

The Budget schedule covers taxes collected from the processing of sugar beets or sugarcane in Puerto Rico, and held as a separate fund to be used and expended for the benefit of agriculture as the Secretary of Agriculture, with the approval of the President, shall direct.

(p) PROCESSING TAXES, SUGAR, HAWAII

The Budget schedule covers taxes collected from the processing of sugar beets or sugarcane in the Territory of Hawaii, and held as a separate fund to be used and expended for the benefit of agriculture as the Secretary of Agriculture, with the approval of the President, shall direct.

Supplemental Funds

	Allotments, 1941	Estimated Allotments, 1942	Estimated Allotments, 1943
Emergency Relief Appropriation Act of 1938:			
Administrative expenses.....	$2,834	---	---
Analysis of data and collation of existing material pertaining to consumer goods and standards.....	70,850	---	---
Total, supplemental funds.....	73,684	---	---

COMMODITY CREDIT CORPORATION

ADMINISTRATIVE EXPENSES (a)

Appropriation Act, 1942	$1,500,000
Second Deficiency Act of 1941.....	2,000,000
Total available, 1942.....	3,500,000
Budget estimate, 1943.....	3,513,498
Change from 1942:	
Additional for administrative promotions	13,498

(a) The amounts authorized for this purpose are made available from the capital funds of the Commodity Credit Corporation.

CHANGE IN LANGUAGE

The Budget Estimates contemplate that the amount authorized to be used for periodicals, maps, and newspapers be increased from $250 to $400 so that it will be possible to subscribe to market news services and trade publications which are needed by the Corporation's officers and employees, especially in the field, as a source of reliable and up-to-date information regarding developments in commodity market conditions, prices, and trends which vitally affect not only the loan programs but also the subsequent selling activities of the Corporation.

The Budget Estimates also contemplate deletion of the proviso "That the Secretary of Agriculture may make allotments from this appropriation, subject to the approval of the Director of the Bureau of the Budget, to offices and divisions of the Office of the Secretary for the performance of departmental service for the Commodity Credit Corporation." Since the offices to which allotments have been made under this authority in the past are those involved in the uniform transfer arrangement described on page 18, this proviso becomes unnecessary.

WORK UNDER THIS APPROPRIATION

Action for food and defense: Reserves of feed, food, and fiber stored under Commodity Credit Corporation loan programs in years of abundance are now making effective contributions to the expanded wartime needs of the United States and to the urgent requirements of nations we are aiding. Implemented by the Commodity Credit Corporation, the Ever-Normal Granary is a strong instrument of offense and a bulwark of defense.

Under the lease-lend program, requirements for cotton, corn, tobacco, and naval stores are supplied from stocks accumulated through loans and purchases by the Commodity Credit Corporation. Larger supplies of food essential for the future are rapidly being developed through current commodity loans and purchases. Corn reserves accumulated in the years of surplus harvest are providing additional feed supplies required for the planned expansion of our production of pork, dairy and poultry products.

Non-Surplus Commodities

In the case of price assurances on non-surplus commodities for which an increase in production is vital to our war effort and lease-lend activities, commodity loan programs serve a different purpose. The guarantee to producers, while important from their standpoint, is but a means to an end - the making available of large supplies - and the supplies of some of these commodities may be important factors in the outcome of the war.

Under section 4(a) (commonly known as the Steagall Amendment) of the act approved July 1, 1941 (Public Law 147, 77th Congress), the Secretary of Agriculture is directed whenever, during an existing emergency, he finds it necessary to encourage the expansion of production of any non-basic agricultural commodity to issue a public notice of his finding. When any non-basic agricultural commodity is covered by such a notice, the legislation directs the Department of Agriculture, within the limits of available funds, to conduct loan, purchase and other operations so as to support a price for the producers of the commodity of not less than 85 per centum of the parity or comparable price. The comparable price is to be used if the parity price is out of line with the parity price for the basic commodities. Such price support must be continued until sufficient notice is given to permit the producers to make a readjustment in production. To date, the cost to the Corporation of price supporting programs undertaken pursuant to the Steagall Amendment has been small because the prices of commodities have held well above the required price support. It is likely, however, that when the present emergency terminates the Corporation's expense in this connection will be increased substantially.

Stabilizing farm prices: Farmers have to meet so many contractual obligations and other more or less fixed expenses that serious privations would be suffered if the prices of farm products should be permitted to fall to drastically low levels for even one marketing season. The ultimate consumers of farm products are not unwilling that farmers receive fair prices for their products. They do, however, have a readily understandable opposition to the excessive peaks of fluctuating prices, especially when there is no corresponding increase in their margin of income over regular and fixed expenses. Moreover, many farmers, including the producers of cattle, hogs, sheep, poultry, and dairy products, are large and immediate consumers of feed crops, and as such, have a basic interest in stabilized prices for their feed supplies.

The Ever-Normal Granary: The problem of assuring adequate reserve supplies of farm products at all times is obviously of great importance under ordinary circumstances on account of the danger of a crop failure through drought, storm, disease, or insect infestation. Under the present existing war conditions adequate reserve stocks of farm products become of paramount importance. The Ever-Normal Granary program is the term that has been applied to the arrangements under which the Corporation loans are utilized to provide an adequate market at reasonable prices in years of abnormal production and an adequate supply at reasonable prices in years of subnormal production.

The all-out effort for defense demands a strong agriculture and national solidarity. To strengthen American agriculture for the task ahead, loan programs are protecting farmers from the consequences of abrupt dislocation of export trade. Commodities formerly harvested for export sales, now curtailed because of war, are stored under loan to facilitate the orderly marketing of supplies consumed domestically; to support farm prices; and to assure agriculture, as nearly as is possible, a parity position with other economic groups.

Objective: The Commodity Credit Corporation is engaged in financing the carrying and orderly marketing of agricultural commodities principally by making loans to producers on agricultural commodities. The Agricultural Adjustment Act of 1938, as amended and supplemented by recent legislation directs the Commodity Credit Corporation to make available loans on the 1941, 1942, 1943, 1944,1945, and 1946 crops of the commodities cotton, corn, wheat, rice, tobacco, and peanuts for which producers have not disapproved marketing quotas. This Act also authorizes the Commodity Credit Corporation upon recommendation of the Secretary of Agriculture and approval of the President to make loans on any agricultural commodity.

FUNCTIONS OF THE COMMODITY CREDIT CORPORATION LOAN PROGRAMS

In addition to the emergency activities of the Corporation which constitute only a shift in the emphasis of commodity credit necessary to meet the challenge of Hitlerism, the programs of the Commodity Credit Corporation serve three fundamental functions:

(1) To protect and increase farm income
(2) To stabilize farm prices
(3) To assure adequate reserve supplies of farm products.

Protecting and increasing farm income: With respect to the function of protecting and increasing farm income, loans on surplus and non-surplus commodities, while administratively and economically the same, differ with respect to the basic reasons underlying their existence as means of providing price assurances.

Surplus Commodities

In the case of surplus commodities price assurances are given in order that the income of producers may be protected during the period when downward adjustments in production are being made in order to restore a balance between supplies and needs. In the past the loan programs have protected the farmer from receiving ruinously low prices for his crops.

Today, despite our war economy and the increasing needs of agricultural commodities in the prosecution of our efforts for victory, surpluses of some commodities continue to exist and to threaten the income of farm communities. This is particularly true with respect to commodities, the sale of which is dependent, more or less, upon export markets.

RELATION OF CORPORATION'S LOAN PROGRAMS TO THE FARM PROGRAMS GENERALLY:

The Corporation's loan programs have been integrated with other parts of the whole farm program in an effort to produce the maximum benefits for American agriculture and the nation. For instance, the function of the Corporation's loan programs in protecting and increasing farm prices has been utilized, wherever conditions make it possible, as a special strong incentive for farmers to cooperate in the Agricultural Conservation Programs. This has been accomplished by making the availability of many of the Corporation's loans to producers and associations of producers conditional upon participation in the Agricultural Adjustment Administration program. The importance of this integration can hardly be overemphasized because it is most doubtful that a commodity loan program, standing by itself, could be financially successful over a long period in protecting and substantially increasing farm prices. Commodity loan programs are more successful when supported by adequate production adjustment and marketing programs. For this reason, and except in special circumstances, Corporation loans are made only in conjunction with either an agricultural conservation program or a marketing-agreement and surplus-removal program. Similarly, in some cases, the loans made on export crops at rates in excess of competitive prices in the world market have been accompanied not only by a production-adjustment or marketing and surplus removal program but also by an export-subsidy program in order to avoid the accumulation of unmarketable surpluses and to maintain the foreign markets for American products.

ORGANIZATION AND FINANCIAL CONDITION

Organization: The Corporation was created as an agency of the United States on October 17, 1933, pursuant to Executive Order No. 6340 dated October 16, 1933. Its functions as an agency of the United States have been extended from time to time and, pursuant to the Act of July 1, 1941. (55 Stat. 498), these functions were extended to June 30, 1943, or such earlier date as may be determined by the President of the United States. The Corporation was made a part of the Department of Agriculture on July 1, 1939, by Reorganization Plan No. 1.

Manner in which loans are made: Loans are made by the Corporation to producers and to associations of producers. More than 90 percent of the loans to individual producers are made indirectly through private lending agencies. In nearly all instances the private lending agency is the producer's local bank which makes a loan under conditions specified by the Corporation and on loan forms provided by the Corporation. The local bank (private lending agency) receives a guarantee from the Corporation to purchase the note upon demand at its face value plus accrued interest at the rate of 1½ percent. The difference between the rate of 3 percent charged all producers on all Corporation loans and the lesser rate of interest obtained by the private lending agency represents the margin to compensate the Corporation for its operating expense.

Financial structure: The Corporation has an authorized paid-in capital of $100,000,000. In addition, it was authorized by the Act of March 8, 1938, (15 U.S.C. 713a-4), as amended, with the approval of the Secretary of the Treasure, to issue and have outstanding at any one time, notes, bonds, debentures and other obligations not to exceed $2,650,000,000 which are fully and unconditionally guaranteed as to principal and interest by the United States.

Capital charges and losses: The Act of March 8, 1938 (15 U.S.C 713a-1,2), as amended, provides for readjusting the net worth of the Corporation to the amount of its $100,000,000 capital once each year. The Act requires that the Corporation's assets and liabilities be appraised by the Secretary of the Treasury as of each March 31 on the basis of the cost, including not more than one year of carrying charges, of such assets to the Corporation, or the average market prices of such assets for a period of twelve months ending with March 31 of each year, whichever is less. Provision is also made in the Act (a) that any deficiency of its net worth under $100,000,000 be restored by Congressional appropriation, and (b) that any excess in its net worth over $100,000,000 shall be paid into the general fund of the United States Treasury. The appraisals made by the Secretary of the Treasury, as of March 31, 1938, March 31, 1939, and March 31, 1941, disclosed capital impairments of $94,285,404.73, $119,599,918.05, and $1,637,445.51, respectively, and these amounts were appropriated by the Congress and paid to the Corporation. The appraisal as of March 31, 1940, showed that the net worth of the Corporation exceeded $100,000,000 by $43,756,731.01, which sum was paid by the Corporation into the general fund of the Treasury on June 29, 1940.

It may be noted that the amounts appropriated to the Corporation to restore capital impairments or that surpluses paid into the Treasury in connection with adjustments of the Corporation's capital under the terms of the Act of March 8, 1938, have no real relation to the actual losses which have been or may be incurred. They amount to an estimate as to what the Corporation's loss or profit would have been if all of the commodities owned by or pledged to the Corporation had been liquidated at market prices as of each March 31. No actual loss is taken by the Corporation or shown as such on its books until the commodity has been sold for an amount less than the Corporation's investment in same. From October 17, 1933 to June 30, 1941, the actual losses of the Corporation were $68,858,477.82, which includes losses of $60,501,037.53 on commodities sold and operating expenditures in excess of operating income of $8,357,440.29. There is shown below a condensed operating statement covering this period:

Income:		
Interest earned	$28,933,656.40	
Miscellaneous income.	208,535.46	$29,142,191.86
Expense:		
Interest expense.	26,863,997.14	
Operating expense.	10,635,635.01	37,499,632.15
Excess of operating expenses over operating income		8,357,440.29
Realized losses on commodities:		
Cotton	27,401,798.00	
Corn	20,078,488.38	
Wheat.	6,199,459.49	
Turpentine and rosin	4,435,579.21	
Tobacco.	2,107,589.20	
Hops.	162,035.56	
Raisins.	111,336.94	
Rye	4,574.99	
Wool , , ...	175.76	60,501,037.53
Excess of operating expenses and realized losses over operating income.		68,858,477.82

Current and estimated operations: Operations of the Corporation for the fiscal year 1941 were more extensive than in any prior year. Loans made, loans repaid, and quantities of commodities serviced set records. The operations of the Corporation have continued to increase during the fiscal year 1942. If prices continue to advance, fewer applications will be made for new loans but the decrease in this phase of the Corporation's activities will be off-set by an increase in the number of loans redeemed by producers on current and prior years' crop. Likewise, there will be increased liquidations of commodities owned by the Corporation. With contemplated increases in the production of many commodities it is expected that large supplies for at least some commodities will be accumulated.

Loans and commodities owned: On pages 71-74 is a table which shows by commodities, as of November 30, 1941, (1) the total advances on loans, (2) the repayments, acquisitions and adjustments on loans, (3) total commodity loans outstanding, and (4) the total quantities of commodities held as collateral. There is also shown the total quantities and book values of commodities owned by the Corporation as of November 30, 1941.

Balance Sheet, November 30, 1941: The balance sheet of the Corporation as at November 30, 1941, is shown on page 69.

PROGRESS AND CURRENT PROGRAMS

General

Under the specific provisions of the Agricultural Adjustment Act of 1938, as amended, requiring loans when prices or supplies reached prescribed levels, loans were made on three basic 1940 crops--cotton, corn, and wheat. In addition, arrangements were made to support prices and to aid the orderly marketing of tobacco, prunes, raisins, peanuts, rye, barley, grain sorghums, naval stores, legume seed, butter and dairy products, and certain other food-stuffs.

Despite considerable liquidation of stocks and loans during the fiscal year 1941, the Corporation's investment in farm products increased. Commodity supplies remaining under loan or owned by the Corporation on June 30, 1941, while large, are manageable, because the quantities are not greatly in excess of demand that may develop through crop shortages and war activities.

Replacement of export markets: When the 1940 crops were coming to market, the restriction, and in some cases virtual closing of the normal exports outlets, made it necessary that some substitute be found for export crops, such as cotton, flue-cured tobacco, raisins, prunes, and naval stores. On the average about two-fifths of these crops had been moving abroad during the years preceding the European War. That the loan and purchase programs for 1940 crops were urgently required to prevent a collapse of the domestic market is indicated by the results of the 1940 programs. About two-thirds of the raisin production, one-half of the dried prunes, one-third of the flue-cured tobacco, one-fourth of the cotton crops, and about one-third of the wheat production was placed under loans or purchased. The withholding of these supplies from the markets supported prices around the loan levels and made it possible for farmers to market their products at fair prices. Without the loan and purchase programs these markets would have been demoralized and farmers would have received drastically lower prices.

Benefits to farmers: The farmers, through loans made on the 1940 crops at or near harvest time, have been able to take advantage of the rising trend of prices for agricultural commodities that became quite pronounced during the marketing seasons. In March 1941, cotton prices began to increase and by the end of the fiscal year 1941 were 4 cents a pound higher than at the beginning. Moreover, cotton earlier pledged to secure loans was redeemed and sold on the rising market. Likewise, many producers of corn, wheat, and other grains who repaid loans were able to sell these commodities at prices which rose through the spring and summer of 1941.

Adequate reserves of corn on the farms have enabled farmers to supplement their 1940 harvests in those areas where stock feeding was most profitable by repossessing corn of the 1938 and 1939 crops which was stored on their farms or by purchasing the Corporation's locally stocked corn.

Cotton

In the summer of 1940 the outlook for export sales of American cotton was most unfavorable. The export markets for cotton and the availability of previously accumulated stocks demonstrated the need for a price-supporting loan on 1940 cotton under the non-mandatory provisions of the Agricultural Adjustment Act of 1938, as amended. Although only one-fourth of the cotton produced, 3,180,000 bales, was placed under the loan, prices near or above loan rates resulted for the entire crop. Producers sold their equities in pledged cotton at prices which started to rise in the winter of 1940-41 and continued to increase through June 1941. Cotton producers were also able to realize on equities in cotton pledged under the 1938 and 1939 loans, and large-scale redemption occurred. Consequently, on June 30, 1941, there remained under loan only about 300,000 bales of the 1940 crop and about 700,000 bales of the 1938 crop, and only a few thousand bales from the 1939 crop.

In addition, government-owned stocks from the 1934 and 1937 crops amounted to 6,126,000 bales on June 30, 1941

Corn

Ample supplies of corn were assured to farmers throughout the fiscal year 1941 by operation of the Ever-Normal Granary. Feed reserves, accumulating since the fall of 1937, provided farmers with corn required for expanding the production of pork, dairy, and poultry products.

To assure the retention of adequate feed supplies the Corporation made available to producers a one or two-year extension of loans on farm-stored corn in the commercial area, which resulted in over 201 million bushels of corn being resealed. Through June 30, 1941, close to 100 million bushels were redeemed. Farmers who did not renew their loans delivered about 170 million bushels of 1938 and 1939 corn to the Corporation.

The Corporation's 1940 corn loans further helped farmers to hold adequate stocks, loans of 62 million dollars being made on 102 million bushels. By the end of the fiscal year 1941, 7 million bushels had been redeemed, and redemptions have continued since that date.

During the fiscal year 1941, the Corporation exported about 25 million bushels of corn to Great Britain and made other sales of about 55 million bushels.

Wheat

Wheat prices declined sharply in May 1940, following the German military successes, emphasizing the immediate need of a price-supporting

loan on the 1940 wheat crop about to come on the market. Thus, a loan program was established under the non-mandatory provisions of the Agricultural Adjustment Act of 1938, as amended. The conditions requiring a mandatory loan were later established.

The price situation during the heaviest marketing season led to pledging about 278 million bushels, or about 45 percent of the wheat eligible for loan. Rising wheat prices last spring encouraged farmers to redeem a total of 75 million bushels of the 1940 wheat by June 30, 1941.

About 172 million bushels of the warehouse-stored 1940 wheat were delivered to the Corporation, but only small amounts of farm-stored 1940 wheat had been delivered by June 30, 1941. A resealing program was also made available to producers on the 1940 wheat. However, by June 30, 1941, only a small number of loans had been extended.

Recent legislation made loans mandatory at 85 percent of parity on the 1941 wheat crop, provided marketing quotas were not disapproved by producers. Faced with prospective supplies of 1,300 million bushels for the 1941-42 season, producers voted favorably in a national referendum for marketing quotas and the 1941 wheat loan was announced.

More than 350 million bushels of the 1941 crop is being placed under loan, as supplies in other exporting countries continue large.

Rye

Loan rates on farm-stored rye during the 1940-41 season averaged 38 cents a bushel on about 4.2 million bushels. Loans were renewed on about 470,000 bushels of the 1939 crop, creating a small but valuable reserve feed supply in areas where crop failures are frequent. As the fiscal year 1941 ended about 10 percent of the 1940 loans had been redeemed and much of the 1939 resealed rye was being delivered to the Corporation.

The loan rate for the 1941 crop averages 12 cents per bushel higher than the 1940 rate.

Barley

Since producers were faced with a record high carry-over of barley for the second successive year, and an unusually large production in prospect, the 1940-41 marketing year opened with a very unfavorable price outlook. The loan enabled producers to hold their 1940 harvest on the farm, and to market the crop in an orderly manner or feed it as needed.

A loan program on barley has also been announced for the 1941 marketing year. The loan rates for the 1941 crop are 10 cents higher than the previous year for No. 1 grade with proportionate increases for other grades.

Grain Sorghums

To assist producers in carrying their feed and seed supplies, and in marketing the record surplus, the Corporation made its first loan on grain sorghums in the fall of 1940. Only a small quantity, 65 thousand bushels, was placed under loan, as prices continued well above the loan rate. About 40 thousand bushels remained under loan on June 30, 1941.

Tobacco

Flue-cured tobacco: The continued inability of British buyers in the summer of 1940 to purchase flue-cured tobacco because of exchange restrictions again made it necessary for the Corporation to provide the means of removing from the market the excess of production over the probable domestic sales at fair prices to producers. The 1940-41 program for flue-cured tobacco was financed through the regular export channels, either by means of non-recourse loans or through agency contracts whereby export companies bought their normal volume of tobacco for the account of the Corporation with the option to repurchase at cost plus charges. About 200 million pounds (Green Weight) or almost 30 percent of the 1940 production was absorbed in this manner and enabled growers to receive an average price of 16.4 cents per pound for their crop instead of the drastically lower prices that would otherwise have been received. While only small amounts of the 1940 flue-cured tobacco pledged or purchased had been moved by June 30, 1941, about 22 million pounds (Green Weight) of the 1939 stocks had been liquidated by that date. Furthermore, arrangements had been completed for the transfer to Great Britain, under lease-lend operations, of most of the 1939 flue-cured tobacco.

Dark tobacco: During the fiscal year 1941 the Corporation continued to operate programs on dark fire-cured and dark air-cured tobaccos directed toward strengthening the tobacco markets and replacing the export outlets lost because of the war. By June 30, 1941, advances had been made on a total of 38 million pounds (dry weight), almost a third of the production of these types.

Burley tobacco: Burley tobacco price declines in 1941 brought about by gradually accumulating surpluses, demonstrated the need for loans. Rising cigarette consumption and the three year production adjustment program through marketing quotas approved in November, 1940 indicated that supply could be brought into line with market demands and the Corporation made available its first loan on this type of tobacco, through the Burley Tobacco Growers Cooperative Association. Loans on 23 million pounds of burley, 6 percent of the total, were made. These loans were paid in full before December 31, 1941.

General Commodities Purchases

Under a general commodities purchase program inaugurated in March, 1941, the Corporation had financed the purchasing of foodstuffs to the extent of about 27 million dollars by the end of the fiscal year. These purchases are made by the Federal Surplus Commodities Corporation as agent of the Corporation and are available for export under lease-lend operations, for resale in the domestic market or for sale to the Surplus Marketing Administration for relief distribution. By means of this program, purchasing can be planned and carried out so that they can be af maximum benefit to farmers. The principal commodities purchased and prepared for overseas shipment include cheese, dry edible beans, evaporated and dried milk, eggs, lard, pork and pork products, raisins, canned grapefruit and juice, canned tomatoes, cornstarch, and wheat flour.

Butter and Dairy Products

Loans under the 1940 program for the stabilization of butter prices were negligible as quotations during the marketing season were almost continuously above the loan rates. A program for price stabilization activities as needed for butter and other dairy products for the 1941-42 season had been set up and put into operation before the 1941 fiscal year ended.

Peanuts

The facilities of the Corporation were again made available during 1941 to aid in financing peanut diversion. Peanuts not sold through commercial channels are crushed for oil and compensatory payments are made by the Surplus Marketing Administration. Advances were made by the Corporation on 30,000 tons from the 1940 crop. All these loans have been repaid.

Prunes and Raisins

Loans on prunes and raisins became necessary when surpluses in these commodities appeared as a result of the closing of European outlets. These loans programs were coordinated with surplus removal programs of the Surplus Marketing Administration and a marketing program under the Prorate Act of the State of California, whereby growers were required to divert all of their substandard prunes and raisins to by-product uses and allowed to dispose of approximately a third of their standard quality fruits through regular commercial channels. The remaining part went into two pools as follows: (1) a "stabilizatic pool" from which sales could be made either in normal channels of trade or to the Surplus Marketing administration at prices high enough to repay the Corporatic loan and carrying charges; and (2) a "surplus pool" from which sales could be made only for relief distribution and other non-competitive uses.

The Corporation made loans on 90 thousand tons of prunes and 109 thousand tons of raisins and while there were substantial quantities of these commodities still under loan on June 30, 1941, arrangements had been completed for their sale.

Seed Purchase Programs

To meet the requirements of the agricultural conservation programs of the Agricultural Adjustment Administration, the Corporation has aided in assuring adequate supplies and in expanding domestic production by offering producers of Austrian peas, hairy vetch, crimson clover, and ryegrass seeds, guaranteed prices in advance of their planting season. These winter cover crop seeds are repurchased by the Agricultural Adjustment Administration. As a defense measure a similar program guaranteeing minimum prices to producers of castor beans was announced.

Turpentine and Rosin

Supplementing the Naval Stores conservation program administered by the Forest Service, the Corporation again made loans available on gum turpentine and rosin to offset the effect on prices of sharp curtailment of exports. Restricted turpentine production and expanded domestic consumption brought about liquidation of 2.3 million gallons during the 1941 fiscal year, leaving the stocks under loan unchanged from a year earlier. For rosin, however, drastic losses of export sales greatly overbalanced production cuts so that loan stocks increased by 100,000 barrels during the fiscal year 1941.

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UNITED STATED DEPARTMENT OF AGRICULTURE

Commodity Credit Corporation

BALANCE SHEET

As at November 30, 1941

ASSETS

Cash			$26,493,556.51
Commodity Loans Held by			
Commodity Credit Corporation		$198,031,643.67	
Accrued Interest Receivable		7,400,074.39	
Accrued Carrying Charges on Commodity Loans			
Held by Commodity Credit Corporation		2,291,053.69	
Accounts and Other Receivables		118,797,570.78	326,520,342.53
Commodities Owned:			
Barley	(61,043 Bu.)	23,195.76	
Corn	(157,680,263 Bu.)	119,917,546.38	
Cotton	(5,606,535 Bales)	320,030,107.97	
Rubber	(90,505 Tons)	34,498,497.02	
Rye	(1,076,422 Bu.)	679,349.22	
Tobacco	(298,321,269 Lbs.)	78,842,592.41	
Wheat	(170,806,408 Bu.)	161,371,953.49	
Other Commodities		112,355,818.24	827,719,060.49
Steel Grain Bins			1,147,853.79
Furniture and Fixtures			234,547.97
Contra Account:			
Guaranteed Loans and Purchases			472,208,383.70
TOTAL ASSETS			1,654,323,744.99

LIABILITIES AND RESERVES

Notes Payable:		
Series "F"	289,458,000.00	
Series "G"	411,596,000.00	
Fourth Series Interim Notes	140,000,000.00	841,054,000.00
Accrued Interest Payable		1,956,554.03
Accrued Carrying Charges		17,894,680.16
Miscellaneous Liabilities		125,192,333.20
Contingent Liabilities:		
Obligations for Loans and Purchases		472,208,383.70
Reserve for Losses		96,017,793.90
TOTAL LIABILITIES AND RESERVES		1,554,323,744.99

NET WORTH

Capital Stock	100,000,000.00
TOTAL LIABILITIES, RESERVES AND NET WORTH	1,654,323,744.99

COMMODITIES OWNED BY COMMODITY CREDIT CORPORATION

Commodity	Quantity		Book Value
Barley	61,043 Bu.		$23,195.76
Corn	157,680,263 Bu.		119,917,546.38
Cotton, 1934-35 1/	1,195,613 Bales		94,452,159.08
Cotton, 1937-38 1/	4,410,922 Bales		225,577,948.89
Rubber	90,505 Tons	2/	34,498,497.02
Rye	1,076,422 Bu.		679,349.22
Tobacco	298,321,269 Lbs.	3/	78,842,592.41
Wheat	170,806,408 Bu.	4/	161,371,953.49
Other Commodities Owned			112,355,818.24
Total Commodities Owned			827,719,060.49

Notes:

1/ Includes cotton in process of sale.

2/ Includes rubber accepted; and rubber delivered or afloat, subject to inspection

3/ Consists of 278,300,075 pounds dry weight and 20,021,194 pounds green weight.

4/ Includes wheat held in producers' pools

UNITED STATES DEPARTMENT OF AGRICULTURE

COMMODITY CREDIT CORPORATION

Statement of Loans and Commodities Owned

November 30, 1941

	Advances On Commodity Loans	Repayments, Acquisitions and Adjustments on Commodity Loans 1/	Total Commodity Loans Outstanding 2/	Total Quantities of Commodities held as Collateral 2/
Barley Loans				
1940 Barley, Form A	$571,997.73	3/ $425,342.52	$180,162.46	556,484 Bu.
1940 Barley, Form B	920.30	920.30	246.41	784 Bu.
1941 Barley, Form A	83,266.33	7,953.13	5,808,261.58	14,491,913 Bu.
1941 Barley, Form B	10,651.62	976.90	357,792.42	978,232 Bu.
Subtotal	666,835.98	435,192.85	6,346,462.87	16,027,413 Bu.
1940 Resealing Program:				
Noncash transfers of Principal	94,650.76	3,577.80	91,072.96	282,644 Bu.
Subtotal (All Barley)	761,486.74	438,770.65	6,437,535.83	16,310,057 Bu.
Butter Loans				
1938 Butter	31,646,113.30	31,646,113.30	- -	- -
1939 Butter	3,288,326.53	3,288,326.53	- -	- -
1940 Butter	20,441.96	20,441.96	- -	- -
Subtotal	34,954,881.79	34,954,881.79	- -	- -
Corn Loans				
1933 Corn	121,276,173.81	121,276,173.81	- -	- -
1934 Corn	4,323,793.32	4,323,793.32	- -	- -
1935 Corn	8,772,862.22	8,772,862.22	- -	- -
1936 Corn	46,031.82	46,031.82	- -	- -
1937 Corn	21,865,887.14	21,865,887.14	- -	- -
1938 Corn	16,599,391.57	16,596,718.40	2,673.17	936 Bu.
1938-39 Corn	141,596,741.47	4/141,517,710.12	79,031.35	60,791 Bu.
1939 Corn	160,556,688.00	160,525,006.93	32,171.27	59,001 Bu.
1940 Corn	7,746,833.40	1,944,606.43	37,929,901.17	62,140,158 Bu.
Subtotal	482,784,402.75	476,868,790.19	38,043,776.96	62,260,886 Bu.
1938-39 Resealing Program:				
Noncash transfers of Principal	114,415,325.41	- -	- -	- -
Storage Disbursement	16,913,034.94	- -	- -	- -
Subtotal	131,328,360.35	36,221,813.53	95,106,546.82	143,089,073 Bu.
Subtotal (All Corn)	614,112,763.10	513,090,603.72	133,150,323.78	205,349,959 Bu.
Cotton Loans				
1933 Cotton	103,684,117.86	103,684,117.86	- -	- -
1934 Cotton	309,740,512.35	309,740,512.35	- -	- -
1935 Cotton	3,655,821.87	3,655,821.87	- -	- -
1937 Cotton	263,669,980.78	263,669,980.78	- -	- -
1938 Cotton	118,932,744.61	117,353,225.49	1,580,367.65	30,345B/C
1939 Cotton	1,213,007.09	1,205,884.96	7,122.13	161B/C
1940 Cotton	71,360,471.86	71,098,264.51	262,207.35	5,363B/C
1941 Cotton	47,717,708.77	485,797.49	69,601,494.85	972,537B/C
Subtotal	919,974,365.19	870,893,605.31	71,451,191.98	1,008,406B/C

	Advances On Commodity Loans	Repayments, Acquisitions and Adjustments on Commodity Loans 1/	Total Commodity Loans 2/Outstanding	Total Quantities of Commodities held as Collateral 2/
Cotton Pool Loans				
1933 Cotton Pool	$38,991,041.76	$38,991,041.76	- -	- -
1934 Cotton Pool	12,424,800.06	12,424,800.06	- -	- -
Subtotal	51,415,841.82	51,415,841.82	- -	- -
Date Loans				
1937 Dates	61,302.00	61,302.00	- -	- -
Fig Loans				
1937 Figs	83,914.91	83,914.91	- -	- -
1938 Figs	124,998.41	124,998.41	- -	- -
1939 Figs	51,147.91	51,147.91	- -	- -
Subtotal	260,061.23	260,061.23	- -	- -
Flaxseed Loans				
1941 Flaxseed, Form A	21,280.02	- -	$476,686.64	278,698 Bu.
1941 Flaxseed, Form B	6,268.27	- -	472,494.74	290,319 Bu.
Subtotal	27,548.29	- -	949,181.38	569,017 Bu.
Grain Sorghums Loans				
1940 Grain Sorghums, Form A	6,007.15	5,797.55	209.60	741 Bu.
1940 Grain Sorghums, Form B	- -	- -	541.38	1,893 Bu.
1941 Grain Sorghums, Form B	- -	- -	997.32	3,217 Bu.
Subtotal	6,007.15	5,797.55	1,748.30	5,851 Bu.
Hop Loans				
1938 Hops	1,541,024.35	1,541,024.35	- -	- -
Peanut Loans				
1937 Peanuts	5,360,107.55	5,360,107.55	- -	- -
1938 Peanuts	7,113,752.19	7,113,752.19	- -	- -
1939 Peanuts	822,300.60	822,300.60	- -	- -
1940 Peanuts	1,876,587.68	1,876,587.68	- -	- -
Subtotal	15,172,748.02	15,172,748.02	- -	- -
Pecan Loans				
1938 Pecans	493,266.19	493,266.19	- -	- -
Prune Loans				
1937 Prunes	2,357,068.91	2,357,068.91	- -	- -
1938 Prunes	397,224.23	397,224.23	- -	- -
1940 Prunes	5,861,259.81	2,081,955.13	3,779,304.68	77,982Tons
Subtotal	8,615,552.95	4,836,248.27	3,779,304.68	77,982Tons
Raisin Loans				
1937 Raisins	1,327,719.97	1,327,719.97	- -	- -
1938 Raisins	3,007,217.00	3,007,217.00	- -	- -
1940 Raisins	5,373,012.18	5,373,012.18	- -	- -
Subtotal	9,707,949.15	9,707,949.15	- -	- -
Rye Loans				
1939 Rye	624,899.98	5/ 610,537.80	14,362.18	31,914 Bu
1940 Rye	1,112,941.02	5/ 941,897.53	187,782.14	526,388 Bu
1941 Rye	31,412.04	75.00	959,834.95	1,929,643 Bu
Subtotal	1,769,253.04	1,552,510.33	1,161,979.27	2,487,945 Bu

	Advances On Commodity Loans	Repayments, Acquisitions and Adjustments on Commodity Loans 1/	Total Commodity Loans Outstanding 2/	Total Quantities of Commodities held as Collateral 2/
Rye Loans (Contd)				
1939 Rye, Extensions and Renewals	$619.65	$619.65	- -	- -
1940 Rye, Extensions and Renewals	239,362.24	2,057.63	$237,304.61	522,894 Bu.
	239,981.89	2,677.28	237,304.61	522,894 Bu.
Subtotal (All Rye)	2,009,234.93	1,555,187.61	1,399,283.88	3,010,839 Bu.
Soybean Loans				
1941 Soybeans	334.16	- -	7,380.11	7,065 Bu.
Tobacco Loans				
1931-35 Tobacco	8,724,096.22	8,724,096.22	- -	- -
1937 Tobacco	935,625.43	935,625.43	- -	- -
1939 Tobacco	35,203.48	35,203.48	- -	- -
1939 Dark Tobacco	484,604.34	11,008.36	473,595.98	4,713,195 Lbs.
1940 F.C.Tobacco	6,297,335.65	1,764,717.86	4,532,617.79	23,982,097 Lbs.
1940 Dark Tobacco	4,743,694.90	663,146.55	4,080,548.35	36,921,442 Lbs
1940 Burley Tobacco	4,278,494.21	3,825,989.27	452,504.94	2,915,996 Lbs.
Subtotal	25,499,054.23	15,959,787.17	9,539,267.06	68,532,730 Lbs.
Turp. and Rosin Loans				
1934-35 Turp. and Rosin	7,280,887.19	7,280,887.19	- -	- -
1938 Rosin	12,524,623.71	10,201,116.61	2,323,507.10	220,288 Bbl.
1939 Rosin	9,292,063.64	6,688,432.48	2,603,631.16	218,173 Bbl.
1940 Turp. and Rosin	6,939,424.37	3,065,678.90	3,873,745.47	325,455 Bbl.
1940 Turp. and Rosin	- -	- -	- -	39,169 Gal.
1941 Rosin	1,586,797.35	21,099.69	1,565,697.66	130,165 Bbl.
Subtotal	37,623,796.26	27,257,214.87	10,366,581.39	894,081 Bbl.
				39,169 Gal.
Wheat Loans				
1938 Wheat, Form A	12,977,864.12	12,977,864.12	- -	- -
1938 Wheat, Form B	34,097,369.88	34,097,369.88	- -	- -
1939 Wheat, Form A	10,198,415.45	9,857,885.49	340,529.96	469,910 Bu.
1939 Wheat, Form B	17,765,244.10	17,765,244.10	- -	- -
1940 Wheat, Form A	11,866,910.51 6/	7,577,164.33	4,289,746.18	5,863,068 Bu.
1940 Wheat, Form B	154,508,577.99	154,485,526.32	23,051.67	26,635 Bu.
1941 Wheat, Form A	2,161,873.07	19,868.57	92,361,829.18	98,861,810 Bu.
1941 Wheat, Form B	16,535,293.58	135,242.62	228,373,846.46	226,506,529 Bu.
Subtotal	260,111,548.70	236,916,165.43	325,389,003.45	331,727,952 Bu.
1940 Resealing Program:				
Noncash transfers of Principal	249,080.50	6,788.85	242,291.65	401,284 Bu.
Storage Disbursements	1,107.68	66.78	1,040.90	- -
Subtotal	250,188.18	6,855.63	243,332.55	401,284 Bu.
Subtotal (All Wheat)	260,361,736.88	236,923,021.06	325,632,336.00	332,129,236 Bu.

	Advances on Commodity Loans	Repayments, Acquisitions and Adjustments on Commodity Loans 1/	Total Commodity Loans Outstanding 2/	Total Quantities of Commodities held as Collateral 2/
Wool and Mohair				
1938 Wool and Mohair	$3,311,701.52	$3,311,701.52	- -	- -
1939 Wool and Mohair	44,211.48	44,211.48	- -	- -
	3,355,913.00	3,355,913.00	- -	- -
Grand Total	1,985,954,867.43	1,787,923,223.76	562,714,134.39	557,382,024 bu.
				1,008,406 B/C
				77,982 Tons
				68,532,730 Lbs.
				894,081 Bbls
				39,169 Gals

1/ Includes cash repayments of principal and carrying charges, repayments of loans by delivery of collateral, loans charged-off, and credits on account of renewals, extensions, and resealing programs.

2/ Includes outstanding loans held by Commodity Credit Corporation and guaranteed loans held by banks and lending agencies.

3/ Includes noncash transfers to resealed barley.

4/ Includes noncash transfers to resealed corn

5/ Includes noncash transfers to resealed rye

6/ Includes noncash transfers to resealed wheat

EXPORTATION AND DOMESTIC CONSUMPTION OF AGRICULTURAL COMMODITIES

(Section 32 of "An Act to amend the Agricultural Adjustment Act and for Other Purposes," approved August 24, 1935)

Exportation and domestic consumption of agricultural commodities (permanent annual)	$97,729,589
Disposal of surplus commodities (Agricultural Appropriation Act)	100,150,000
Emergency Relief Appropriation Act, 1942	25,000,000
Total available, 1942	222,879,589
Budget estimate, 1943 (Permanent Annual)	132,000,000
Decrease	$90,879,589

PROJECT STATEMENT

Projects	1941	1942 (estimated)	1943 (estimated)	Increase or decrease
1. Food stamp plan - redemption payments	$83,512,557	$115,000,000	$89,000,000	-$26,000,000(1)
2. Cotton stamp plan - redemption payments	2,284,651	3,500,000	- -	- 3,500,000(2)
3. Purchase of surplus commodities and distribution to state relief agencies	84,201,283	34,315,967	27,886,177	- 6,429,790(3)
4. Encouragement of exports of agricultural commodities - program payments	12,417,005	13,800,000	- -	-13,800,000(4)
5. Diversion of agricultural commodities to by-products and new uses - program payments	15,968,538	20,000,000	8,000,000	-12,000,000(5)
6. Supplementary cotton stamp plan - program payments	17,895,031	3,000,000	- -	- 3,000,000(6)
7. Administrative expenses for the surplus removal program:				
(a) Planning and direction of surplus removal program	578,694	627,941	319,290	-308,651(7)
(b) Administrative Service	1,764,003	1,952,858	1,402,470	-550,388(7)

PROJECT STATEMENT (Continued)

Projects	1941	1942 (estimated)	1943 (estimated)	Increase or decrease
(c) Purchase and distribution operations	$4,278,321	$4,580,042	$3,378,990	-$1,201,052(7)
(d) Allotments to cooperating offices and agencies of the Department of Agriculture	52,744	51,620	51,620	- -
8. Administrative expenses for marketing agreements, orders and activities:				
(a) Planning and direction of marketing agreements, orders and activities	(a)	(a)	438,910	+ 438,910(8)
(b) Administrative service	(a)	(a)	312,758	+ 312,758(8)
(c) Allotments to cooperating offices and agencies of the Department of Agriculture	(a)	(a)	151,800	+ 151,800(8)
Transfers as shown in budget schedules	971,208	1,051,161	1,057,985	+ 6,824
Unobligated balance	12,000,576	25,000,000	- -	-25,000,000
Total	235,924,611	222,879,589	132,000,000	-90,879,589

(a) The administration of marketing agreements financed in 1941 and 1942 from "Salaries and expenses, A.A.A."

INCREASES OR DECREASES

The decrease of $90,879,589 for 1943 has been tentatively distributed among the projects as shown above, and consists of:

(1) A decrease of $26,000,000 in the Food Stamp Program. During the current fiscal year supplemental foods are being provided, under an allotment of $115,000,000, for approximately 4 million persons. With the $89,000,000 proposed for 1943 it will be necessary to reduce this number by approximately 29%, and to curtail the areas in which the plan is now in effect.

(2) A decrease of $3,500,000 under the project "Cotton stamp plan, redemption payments." This decrease may be effected by the elimination of the Cotton Stamp Program in 1943. Approximately 321,000 persons in 36 areas were participating in this program as of November 1, 1941.

(3) A decrease of $6,429,790 under the project "Purchases of surplus commodities and distribution to State relief agencies." This project is divided into the following two parts:

(a) Distribution to Families not Included in the Food Stamp Program.
(b) Distribution for Free School Lunches.

In 1943 this project provides for a total of $27,386,177, of which $7,386,177 would be used for purchases for families not included in the Food Stamp Program and $20,500,000 for the Free School Lunch Program, as follows:

Direct Distribution to families not included in the Food Stamp Program. As of November 1, 1941, 3.9 million persons in families were receiving foodstuffs directly in the Continental United States as well as an additional 1 million persons in insular possessions, principally Puerto Rico. This number has been greatly reduced from an average of 8.8 million persons during the fiscal year 1941, in part through transfer to the Food Stamp Program, and in part through reduction in the number of persons certified by State Welfare Agencies. As of November 1, 1941, these persons received commodities costing the Federal Government about 39¢ per person served.

In addition to food, the equivalent of approximately 400,000 bales of cotton purchased during the fiscal year 1941 at a cost of 27.4 million dollars was distributed during the current fiscal year to low income non-relief farm families for the manufacture of cotton mattresses. This program has proved to be the least expensive method of securing increased utilization of cotton and meeting the needs of low-income families. The reduction under this project will be met by practically eliminating the Cotton Mattress Program.

School Lunch Program: The decrease under this project also contemplates a reduction of approximately 50% in the number of children and the amount of food now being served under the Free School Lunch Program. At present there are 27 million school children in the United States, of whom it is estimated that approximately 9 million are malnourished or suffer from nutritional deficiencies. In the 1940-41 school year 2.9 million children were reached as an average under this program.

In the current school year, in recognition of the effects of malnutrition on the health of young men rejected under the Selective Service Act, and the importance of health for productive energy, the program was expanded and may reach a peak of more than 6-1/2 million children with an average for the school year in excess of 5 million. A program of this scope was made possible not only by the expenditure of funds appropriated for the current fiscal year but also through the use of over $24,000,000 worth of commodities purchased in the previous fiscal year and distributed in the current school year. These resources are being exhausted as a result of the expanded program.

(4) A decrease of $13,800,000 under the project "Encouragement of export of agricultural commodities, program payments." This decrease may be effected by the discontinuance of the export encouragement programs. Obligations of $12,417,005 were incurred on programs involving export of wheat and cotton during the fiscal year 1941. As of November 30, 1941, current year obligations totalled $6,871,596.

(5) A decrease of $12,000,000 under the project "Diversion of agricultural commodities to by-products and new uses, program payments." This decrease may be met by a reduction of about sixty percent in all current diversion programs, including the program for the utilization of milk by school children. Any necessity that may arise for diverting peanuts to peanut oil under the present legislation would involve a further reduction in other phases of the project.

(6) A decrease of $3,000,000 under the project "Supplementary cotton stamp plan, program payments." Present plans do not contemplate the continuance of this program in 1943.

(7) A decrease of $2,060,091 under the project "Administrative expenses for the surplus removal program," including:

(a) A decrease of $308,651 under the work project "Planning and direction of surplus removal program."

(b) A decrease of $550,388 under the work project "Administrative service."

(c) A decrease of $1,201,052 under the work project "Purchase and Distribution operations."

The above decreases represent the amounts which it is estimated will not be required for administrative expenses in 1943, as a result of the proposed overall reduction of $90,879,589 in section 32 activities.

(8) An apparent increase of $903,468 under the project "Administrative expenses for marketing agreements, orders and activities," in order to finance the marketing agreements work from Section 32 funds in 1943. This activity has been financed heretofore from the unexpended balance of the 1933 appropriation made in the original Agricultural Adjustment Act, entitled, "Salaries and Expenses, Agricultural Adjustment Administration," the balances of which are no longer sufficient to finance this work.

(a) $438,910 under the work project "Planning and direction of marketing agreements, orders and activities."

(b) $312,758 under the work project "Administrative service."

(c) $151,800 under the work project "Allotments to cooperating offices and agencies of the Department of Agriculture."

While the above amounts appear as increases under this project, they actually represent an overall reduction of $302,484, when funds previously available are taken into account, in the amount available for 1942 for the administration of marketing agreement activities, including a decrease of $182,922 in project 8 (a) and $119,562 in project 8 (b).

CHANGE IN LANGUAGE

The budget estimates include proposed changes in language as follows:

(1) The deletion of the language entitled, "Disposal of Surplus Commodities," which appeared in the Agricultural Appropriation Act for 1942 and the item which appeared in the Emergency Relief Appropriation Act for 1942, since the estimates do not provide for any appropriation in 1943 to supplement the permanent annual appropriation made in Section 32.

(2) Insertion of the following new language:

> Administrative expenses: The funds provided by section 32 of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes," approved August 24, 1935, as amended (7 U.S.C. 612c) shall be available, without regard to the provisions of section 392 of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1392), for administrative expenses in carrying out the provisions of said section 32, as amended, and the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601 et seq.), including personal services in the District of Columbia.

The above language of the budget estimate provides that funds for Section 32 activities shall be available for administrative expenses in carrying out the provisions of Section 32 of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes," as amended and the Agricultural Marketing Agreement Act of 1937, without regard to the provisions of section 392 of the Agricultural Adjustment Act of 1938. Said section 392 limits the amount which may be used for administrative expenses to 3 percent of the total amount provided under section 32. (Legislation is now pending in the Senate, having already passed the House, increasing the percentage for administrative expenses to 4 percent).

Expenses incurred in connection with the administration of the "Agricultural Marketing Agreement Act of 1937" have heretofore been financed from the unexpended balance of the $100,000,000 appropriated in the original Agricultural Adjustment Act of 1933. These funds are no longer sufficient to finance the work under the Agricultural Marketing Agreement Act of 1937, which reenacts and amends the marketing provisions of the Agricultural Adjustment Act of 1933. The above language, therefore, includes authority to use section 32 funds for the administration of marketing agreement activities and the present authority to do this which is contained in the appropriation item "Conservation and Use of Agricultural Land Resources" 1942, has been bracketed for omission in the budget for 1943.

As shown in the project statement for "Exportation and Domestic Consumption of Agricultural Commodities," administrative expense estimates for the fiscal year 1943 involve a total of $6,055,838, including $5,152,370 for section 32 activities and $903,468 for marketing agreement activities. These estimates are considered to be realistic yet conservative estimates of the amounts required for such administrative expenses. With a considerably reduced overall appropriation of $132,000,000 for 1943, as proposed, only 3 percent thereof i.e., $3,990,000

could be made available for such administrative expenses under the existing provisions of section 392 of the Agricultural Adjustment Act of 1938. The above language, therefore, is necessary so that the funds provided by section 32 shall be available for administrative expenses without regard to the provisions of said section 392.

WORK UNDER THIS APPROPRIATION

General: The work under this appropriation is concerned with the development and operation of programs designed to increase exportation and domestic consumption of agricultural commodities, increase returns to producers, and reestablish farm purchasing power.

With the shift in world marketing conditions the emphasis has changed from purely surplus removal activity to encouragement of supply, adjustment in market and consumption, and the development of mechanisms designed to cushion the economic rearrangement which will follow the stabilization of world political conditions.

The work is divided by projects as follows:

Project 1. Food Stamp Program, Redemption Payments:

Objective: To improve farm income and distribution of agricultural production so as to meet the food needs of all our people.

The problem and its significance: Producers of fruits, vegetables, grain, meat, dairy, and poultry products are asked to increase production of foods to meet domestic needs and export requirements. For many agricultural products prices have not risen sufficiently to give farmers profitable returns for their production. For others, stability of adequate farm prices is necessary to insure increased production. At the same time even with national income above 90 billion dollars, studies indicate that there are probably 20 million non-farm persons and at least 14 million farm persons who were receiving incomes or public assistance too low to enable them to buy sufficient quantities of agricultural products Over 11 million of these were receiving public assistance or were certified for the Food Stamp Program or direct distribution of commodities.

The Food Stamp Program provides a flexible mechanism to increase the utilization of agricultural commodities. The programs meet present needs and if established widely, provide a certain market for agricultural surpluses which would reoccur in the post-war period if no practical plans were in operation for rapid expansion to handle them. This activity, along with direct purchases, can be used to meet temporary surpluses or market gluts especially for perishables and is of primary importance in securing the achievement of agricultural production goals to meet emergent domestic and export needs.

General plan: Under this program low-income families are permitted to purchase orange colored stamps in amounts approximately equal to their normal food purchases and receive free blue stamps generally equal to one-half the value of the orange stamps. All purchases are made in retail food establishments. The orange stamps may be used to purchase any food for home consumption. The blue

stamps may be used to purchase only those commodities specifically designated by the Secretary of Agriculture. Through the orange stamp mechanism normal food purchases are maintained so that all of the blue stamp funds can be used to effect an increase in the demand for agricultural products, as well as an increase in consumption of foods by the families participating.

Studies made among the more than 11 million persons currently receiving or eligible to receive public assistance indicate that their normal food expenditures now vary between 5 to 7-1/2 cents per person per meal - somewhat higher among smaller than average families and somewhat lower for larger than average families. In the South and in smaller cities throughout the country much lower expenditures prevail. These do not support an adequate diet under present conditions which would cost between 9 to 12 cents per person per meal, even with the most inexpensive combination of foods.

The low level of expenditure for food among families receiving WPA employment and general relief or eligible for public assistance is indicated by figures from studies of four-person families during 1940-41 shown for selected cities:

Weekly Per Capita Food Purchases of 4-Person Families by Relief Category for Specified Areas

Area	General Relief	W P A	Non-Assistance Families Certified for Participation
	Dollars per person per week		
West:			
Fresno	1.29	1.51	
Ada & Canyon, Idaho		1.22	
3 Counties, Wash.		1.56	
Lane County, Ore.	1.18	1.36	
Oakland, Calif.	1.42		
Midwest			
Cleveland, Ohio (W)		1.62	
Cleveland, Ohio (N)		1.56	
Chicago, Ill. (W)	1.05	1.53	
Chicago, Ill. (N)	1.07	1.68	
Duluth, Minn. (W)	1.46	1.70	
Wisconsin (Rural)		1.45	
Iowa (6 Rural Counties)		1.17	
North Dakota (4 ")		1.00	
Akron, Ohio	1.04		
Northeast			
Boston, Mass.	1.50		
Philadelphia, Pa. (W)	1.30		
Philadelphia, Pa. (N)	1.15		
Crawford & Mercer Counties, Pa.	1.51		
Erie. Co., Pa.	1.55		
Brooklyn, N. Y.	1.78		
South			
Dallas, Texas (W)	.74	1.03	
Dallas, Texas (N)		1.05	
Atlanta, Ga. (W)	.55		
Atlanta, Ga. (N)	.53		
Jackson, Miss. (W)			.76
Jackson, Miss. (N)		1.14	.52
Sapulpa, Okla. (W)			.70
Sapulpa, Okla. (N)			.49
Durham, N. C. (W)			.86
Durham, N. C. (N)			.44

When the Food Stamp Program is placed in effect these families receive an increase in food purchases of approximately 50 percent.

Examples of progress and current program: By November 1, 1941, 406 areas had been designated for the Food Stamp Program covering 56 percent of the population of the United States and 390 areas were in operation. In these areas 3.4 million persons were participating. About 14 percent in the Midwest, 30 percent in the Northeast and 29 percent in the South. Each person received an average of $2.63 in blue stamps to be used for extra food purchases. The accumulated value of free blue stamps issued from July 1 to November 1, 1941, was approximately $38,500,000.

Commodities bought with blue stamps during the same period include 23 million dozen eggs, over 237 million pounds of flour and other cereals, in excess of 300 million pounds of vegetables, more than 160 million pounds of fresh and dried fruits, as well as nearly 18 million pounds of pork products.

Project 2. Cotton Stamp Plan, Redemption Payments:

Objective: To reduce accumulated stocks of cotton by encouraging Domestic consumption of cotton and cotton products.

The problem and its significance: Accumulated stocks of cotton have been at record levels for several years. At the same time, consumption of cotton, especially by cotton producers and low-income families, has been very low. Although there has been a substantial diversion of cotton acreage to other crops, accumulated cotton stocks continue to be very large. The world carryover of American cotton July 30, 1941, amounted to approximately 12,847,000 running bales together with 1941 production of 10,550,000 running bales. World supplies of American cotton for the 1941-42 year are estimated to be 23,397,000 bales. If the world consumption of American cotton during the season 1941-42 is the same as 1940, i.e., 12,767,000 bales, carryover on July 31, 1942, will be 10,630,000 bales.

General plan: The operation of the cotton stamp program is essentially the same as the food stamp program.

Under the cotton stamp program eligible participants are given $1.00 worth of free brown surplus cotton stamps for each $1.00 worth of green stamps purchased, the amount required to be purchased being approximately equal to normal expenditures of low-income families for cotton goods. As of November 1, 1941, the cotton stamp program was in operation in 36 areas with 321,000 persons participating.

Project 3. Purchase of Surplus Commodities and Distribution to State Relief Agencies

(a) Distribution to Families not Included in the Food Stamp Program

Objective: To help maintain adequate income for farmers by providing increased markets through distribution to the lowest income groups in this country not covered by the Food Stamp Program.

The problem and its significance: The major national problem is to secure the increased food necessary for maximum productive effort in this country and abroad, and to assist in distributing it so that persons in need will receive a greater share.

General plan: Purchases are made to meet an emergency situation in the marketing of agricultural products and in order to give farmers the income and sale channels assurance they need in order to secure increased production. The commodities are shipped in carlot quantities upon orders from State welfare offices for distribution to needy unemployed who are not certified for participation in the Food Stamp Program.

In addition, cotton is purchased and distributed to non-relief low-income farmers, as well as other groups, for the manufacture of cotton mattresses. In the fiscal year ended June 30, 1941, about 3.3 million mattresses and 1.1 million comforters were processed from materials supplied by the Surplus Marketing Administration. These were given to about 2.2 million low-income families.

(b) Distribution for Free School Lunches

Objective: Maintain adequate income for farmers by providing increased markets through distribution of agricultural commodities to needy school children.

The problem and its significance: Producers of fruits, vegetables, grain, meat, dairy and poultry products are being asked to increase production in order to meet domestic food needs as well as export and Lend-Lease requirements. At the same time, about one-third of our school children totaling approximately 9 million, are known to be in need of increased quantities of these foodstuffs. The School Lunch Program which previously had been concerned primarily with utilization of accumulated surpluses is now a major factor in bringing about production increases at adequate prices and improvements in the health of school children that has been brought to the attention of the Nation and made necessary by the present war.

The Department has asked farmers to produce increased food supplies to meet domestic and foreign needs. Given assurance of adequate prices and outlets for their increased consumption, farmers stand ready to provide these needed supplies. Purchase of commodities and distribution to school lunches is one of the principal means of assuring this for fruits, vegetables, meats, dairy and poultry products. Achieving the production and distribution goals will contribute substantially in aiding desirable longtime shifts in agriculture and in making certain that agriculture will more fully meet the food needs of the Nation.

General plan: Upon finding that an emergency situation exists in the marketing of a particular farm commodity or product, direct purchases are made of that commodity and are shipped in carlot quantities upon order to State welfare agencies for distribution to certified school children. The Free School Lunch Program for undernourished children is organized and maintained with the cooperation of community leaders and other agencies. The programs are so arranged that there is no discrimination between needy children helped directly by the program and other children in the schools.

[illegible]

Examples of progress and current program: During the fiscal year ended June 30, 1940, more than 40 agricultural commodities and their products were purchased and distributed in all 48 States and the District of Columbia. By November, 1941, more than 4 million children in over 67,000 schools were receiving the commodities and further increases were expected during December, January and February. Foodstuffs were being distributed at the rate of more than 50 million pounds per month.

Like the other domestic programs (Food Stamp and School Lunch) direct purchase and distribution to needy families must play an important part in this national objective. As of November 1 about 3.9 million persons received foodstuffs directly in the continental United States in addition to over 1 million persons in territorial possessions. These are a part of the very large population which even with national income in excess of 90 billion dollars a year cannot secure sufficient foodstuffs for a minimum adequate diet.

The dual approach of purchasing agricultural commodities in order to improve or maintain farm incomes and provide an incentive for increased production, and the distribution to needy families, who are obviously under-nourished and cannot secure adequate food supplies, is one of the most effective ways of meeting immediate problems and providing the basis for security in the years ahead.

Project 4. Encouragement of Exports of Agricultural Commodities, Program Payments:

Objective: To increase returns to producers by diverting surplus agricultural commodities to export markets.

The problem and its significance: To maintain and improve the relative position of domestically produced farm products in the world market in the face of tariff, quota, and indirect measures restricting the flow of world trade adopted by countries bending every effort to secure economic self-sufficiency, or to successfully prosecute hostilities.

Producers of such exportable agricultural commodities as wheat, corn, cotton, and nuts are confronted with the loss, or serious impairment of the market for a large portion of their produce at a time when heavy production and large carryovers of supplies require an even greater expansion of their outlets.

Examples of progress and current program: During the fiscal year ended June 30, 1941, programs were conducted for the export of cotton lint and cotton products, wheat and wheat flour, walnuts and winter pears.

Project 5. Diversion of Agricultural Commodities to By-Products and New Uses, Program Payments.

Objective: To increase returns to producers by increasing domestic consumption or developing new uses for agricultural commodities.

The Problem and its significance: To utilize surpluses of agricultural commodities in such a way that they will not depress farm prices.

Even with improved national income and general farm prices there are a number of commodities for which seasonal or other long-time surpluses continued to occur and for which immediate assistance can be obtained either through diversion of products to secondary or by-product channels or diversion to undeveloped channels of domestic consumption.

Examples of progress and current program: Programs for removing surpluses by finding and developing new outlets and uses have been operated for the most part through agreements between agricultural groups and the Secretary of Agriculture. Under these agreements, the agricultural groups have been authorized to acquire specified quantities of surplus commodities at stipulated prices, and to divert these supplies to new outlets or uses. The difference between the cost of the commodity to the agricultural group, plus incidental handling costs and the selling price for diversion uses, has been financed by this appropriation.

By means of this plan in 1941-42, funds were used to expand the use of cotton bagging for bales and to develop the use of cotton for insulation programs, potatoes were diverted to starch, peanuts were diverted to peanut oil and west coast pears were diverted to cities in which they were not normally consumed in large quantities.

One of the most important new developments in this field was the establishment of Low-Cost Milk Programs. In a number of areas it was possible to secure sale of fluid milk that would have for the most part gone into secondary channels. This fluid milk was then distributed at a considerably reduced price to needy families and to school children under a Penny Milk Program.

The experience under this program demonstrates that it is one of the best devices to secure increased use of milk in fluid channels by families and school children who are most in need of the nutritional benefits that this program makes possible. One of the most common deficiencies in low-income diets is in calcium and riboflavin, both of which are inexpensively available in milk. Studies indicate that the Penny Milk Programs and other milk programs make a very substantial contribution to the dietary deficiencies of children and families.

Fostering this new outlet for dairy production is an essential part of the long-time program for agricultural production in the United States.

Project 6. Supplementary Cotton Stamp Plan, Program Payments:

Objective: To reduce harvested cotton acreage, increase consumption of cotton products by cotton farmers and thus reduce inventories of cotton, by making payments in the form of cotton stamps for reductions in cotton acreage; and to encourage production of feed and food for home use.

The problem and its significance: American held stocks of cotton exceeded 11,900,000 running bales on August 1, 1941. The surplus in cotton is one of the most serious agricultural problems in the United States. At the same time, cotton producers generally have a very inadequate supply of

cotton goods and have not developed extensive gardens for home-grown foodstuffs. The supplementary cotton program was a device by which cotton farmers were encouraged to pull themselves up by their own boot straps, to create more demand for cotton goods by themselves buying with cotton stamps, and to reduce acreage further and use the diverted acreage for food and feed production.

General plan: Under the program, stamps were made available to the Agricultural Adjustment Administration which secured statements of intention to participate from cotton producers and distributed the stamps after determination that the cotton acreage adjustment had been made in accordance with the provisions of the program. Stamps received by cotton producers were then used as cash to purchase cotton goods at local retail stores and mail order establishments. These stamps were then presented to the Treasury for payment.

Payments in cotton stamps were made to producers at a rate equal to approximately 10 cents per pound on the normal yield of the reduced cotton acreage. Each producer could earn a maximum of $25 in cotton stamps on one farm, or an operator of a farm of two or more tenants or sharecroppers could earn up to $50 worth of stamps. No one could receive more than $50 in cotton orders or stamps. A farm owner, operator, tenant or sharecropper entitled to share in the 1941 cotton crop or any farm on which a cotton allotment was established for 1941, was eligible to participate.

Examples of progress and current program: Up to December 1 cotton stamps certified for payment totaled $14,181,000 with more than 750,000 producers participating. A $3.00 cash payment was made in addition to encourage increased food production and storage for home use. Farmers spent 31 per cent of their cotton stamp funds for piece goods; 15 per cent for household goods; over 37 per cent for men's and boys' wear; 13 per cent for ladies' and girls' wear; and 3 per cent for infants' wear. It is estimated that approximately 50,000 bales of cotton were purchased with the cotton stamps.

Project 7. Administrative Expenses for the Surplus Removal Program:

Objective: To effectively and efficiently plan, supervise and conduct all phases of the programs operative under this appropriation.

The problem and its significance: To secure quickly accurate information with respect to market conditions; to select, develop, and prescribe effective means of adjusting or alleviating emergency conditions; to execute such plans promptly, economically and in the manner best adapted to carry out the purposes of the programs; to enforce such regulations and conditions as are necessary to protect the public interest; and to evaluate and report upon the results of such programs.

Every type of operation involved in the programs has its own peculiar problems varying from season to season and calls for the cooperation of one or more groups outside of the Administration; farmers' associations, representatives of agricultural trades and industries, bankers, grocers, social workers, State, county and local public and private charitable relief and educational agencies,

institutions and associations. Cooperative work with these groups in planning, conducting and evaluating the several methods of meeting the economic and social problems which relate to programs operative under this appropriation lays a basis for wider public understanding of the significance of the farmers' problem of marketing and the importance of taking immediate and definite steps to meet it.

General plan: The commodity divisions of the Surplus Marketing Administration i.e., the Dairy, Fruit and Vegetable, and Poultry Divisions and the Marketing Division (handling meat, grain, cotton, tobacco, potato and peanuts and their products), collect and analyze the commodity market, production, price and organization information, and after consultation with producer, handler, shipper, processor, warehousing and exporting groups formulate the type or types of programs for the commodities best adapted to effectively meet their particular problems.

Prior to adoption of a particular plan, representatives of the administrative service divisions of the Administration, i. e., the Audit, Finance, Personnel, Business Management, and Investigation Divisions, together with representatives of the Solicitor's Office of the Department are consulted, respectively, as to any audit, accounting, staffing, facility, enforcement and legal questions which may be involved. Such consultation results in practical suggestions for simpler or more efficient methods of operation which may be taken into consideration prior to execution of the plans, and brings about a mutual understanding of the methods and procedures of operation on the part of the several officers involved which leads to more efficient and effective administration of the program.

If the program being developed involves stamp operation or state distribution, a representative of the Distribution Division which actually conducts programs of this type, assists the commodity division in the development of the program. Likewise if direct purchases are involved a representative of the Purchase Division is consulted.

Programs for the encouragement of export and the diverting of commodities to by-products and new uses are operated under contractional agreement with shippers, processors, or other industry groups under the supervision and direction of the appropriate commodity division and its field force of inspectors.

In the field, direct purchase operations are conducted by field parties reporting direct to the Washington office of the Distribution and Purchase Division. Distribution operations, including the School Lunch Program, are conducted through four regional offices. The direct distribution program is supervised through each state's Director of Commodity Distribution. Stamp operations are supervised through local representatives of SMA working with the local welfare agencies in designated areas.

Audit, Finance, Investigation and Business Management functions applicable to field activities are performed in each regional office or in field stations within the region.

Project 8. Administration of Marketing Agreements, Orders and Activities.

Objective: To regulate the flow of produced supplies of agricultural commodities and products to markets in an orderly manner so as to increase returns to producers.

The problem and its significance: When the market is over-supplied, prices drop to the point at which the grower may not obtain a return sufficient even to pay his marketing costs, let alone his producing cost. The glut may be so great that the goods cannot be sold even at ruinously low prices and are completely wasted. Too small a supply on the other hand brings a wide swing and a sudden and unreasonable increase in the prices the consumer pays. This tends to discourage consumer demand for the products concerned. In the long run the consumer who is assured of a steady supply of farm goods at uniform prices is better off than if he profits temporarily by low prices that injure producers and then has to pay extremely high prices when the supply is inadequate. Marketing costs are relatively inflexible. Packaging, freight and similar charges are about the same per unit of produce marketed, regardless of the price that the produce brings. When the price falls too low the grower has little or nothing remaining when the marketing costs are paid. When prices are too high, the consumer is unable to purchase the same volume of goods that he would buy if prices were reasonable.

Stabilizing supplies and prices at a balanced level benefits both the grower and consumer and prevents waste of the product. Experience has demonstrated that with proper adjustment of shipments to demand it is possible to market a greater quantity of a given product over a marketing season at a price fair to consumers yet more remunerative to growers than if the crop were dumped on the market without regulations and without regard to what the market can take at a given time.

General plan: Cooperative group action by producers over a period of more than twenty years to adjust shipments to market demand has culminated in legislative recognition of their problem, their efforts, and extends Federal assistance to the enforcement of cooperative agreements which affect the flow of produced agricultural supplies in interstate commerce. Marketing agreements embodying prorations of the market, the establishment of equalization pools, shipment, grade, and size regulation and the fixing of minimum prices to producers, in case of milk, may be negotiated and entered into by the Secretary of Agriculture with associations of producers, shippers and handlers. If a majority of the shippers and handlers by volume or number enter into such an agreement, an order embodying the same terms as the marketing agreement may be issued by the Secretary of Agriculture enforcing the marketing plan upon the recalcitrant minority which otherwise have it in their power to completely destroy the effort of a large majority. If a majority of the shippers and handlers by volume or by number refuse to enter into such an agreement, and two-thirds (by volume or by number) of the producers of the commodity involved indicate at a referendum that the order is desired, the Secretary of Agriculture will issue the order upon approval by the President.

Examples of progress and current program: Marketing agreements or orders, or both, are in effect at the present time regulating the flow of 18 farm products to market with an estimated value of over $407,000,000 and directly affecting more than 235,000 producers. Additional agreements and orders are in process of development for four commodities valued at over $82,000,000 and directly regulating the marketing of approximately 143,000 growers.

In addition to the 20 fruit and vegetable marketing programs listed on the attached statement (see Exhibit 1), potato marketing programs have been put in operation for nearly 14,000 growers in Colorado, Idaho, and Oregon, for a crop with an estimated value of $21,000,000. Potato marketing programs have been developed and are nearing completion for 142,000 producers in Washington, Nebraska, Wyoming, California, Michigan, Wisconsin, Minnesota and North Dakota, who market annually a crop worth nearly $60,000,000.

Marketing programs for the regulation of the flow of milk into normal channels of distribution are in effect in 27 marketing areas or milk sheds (see Exhibit 2 attached). Changing conditions in these markets currently require constant amendment of these programs. Since the first of July, 1941, formal action has been required in connection with negotiating and issuing amendments for 17 of these programs.

Further information about this activity is shown by the following lists:

Approximate Number of Growers and Estimated Farm Value of Commodities with Marketing-Agreement Programs in Effect September 1, 1941

Commodity and Area	Number of Growers	Farm Value During Fiscal Year 1941
	1	2
		1,000 dollars
Walnuts - California, Oregon, and Washington	14,000	10,200
Oranges and Grapefruit - California and Arizona	20,000	52,200
Fresh Peas and Cauliflower - Colorado	650	2,000
Onions - Utah	180	200
Fresh Prunes - Oregon and Washington	600	700
Oranges, Grapefruit, and Tangerines - Florida	20,000	35,600
Fresh Bartlett Pears, Plums, and Elberta Peaches - California	7,500	8,600
Tomatoes - Mississippi	2,000	550
Beurre Hardy Pears - California	500	300
Peaches - Colorado	600	1,800
Winter Pears - Oregon, Washington, and California	3,000	4,400
Onions - Colorado	1,100	1,200
Peaches - Utah	2,000	450
Hops - Oregon, California, and Washington	950	9.700
Tokay Grapes - California	1,500	1,800
Lemons - California - Arizona	6,500	19,000
Grapefruit - California - Arizona Desert	1,450	1,300
Total	82,530	150,000

Approximate Number of Growers and Estimated Farm Value of Commodities for Which Marketing Agreement Programs are Likely to be Established in 1942

Commodity and Area	Number of Growers	Farm Value During Fiscal Year 1941
	1	2
		1,000 dollars
Fresh Peaches - Georgia, North and South Carolina, Alabama, and Tennessee	**	9,900
Dried Prunes - California, Oregon, and Washington	15,000	9,900
Dried Peaches - California	6,000	2,400

**Data not available

Preliminary estimates of total number of producers and producer-distributors, estimated total volume, and estimated total returns to producers in various markets under Federal control for a 1-year period,

Market	Number of producers and producer-distributors	Estimated total volume	Estimated total returns to producers
	Number	1,000 pounds	Dollars
Battle Creek, Michigan	292	26,376	529,636
Boston, Massachusetts	15,499	1,201,700	24,791,064
Chicago, Illinois	17,646	2,117,280	39,644,959
Cincinnati, Ohio	4,816	226,558	5,136,059
Denver, Colorado	1,470	133,390 1/	233,863
Dubuque, Iowa	290	28,075	463,804
Duluth-Superior, Minn.-Wis. 2/	1,491	26,965	517,721
Fall River, Massachusetts	325	40,967	1,215,904
Fort Wayne, Indiana	854	44,127	844,143
Kalamazoo, Michigan	434	37,318	724,716
Kansas City, Missouri	1,348	127,730	2,544,388
La Porte County, Indiana	279	17,477	338,002
Leavenworth, Kansas	92	8,443 1/	150,831
Louisville, Kentucky	1,537	143,884	3,182,713
Lowell-Lawrence, Massachusetts	878	75,863	2,171,965
New Orleans, Louisiana	2,397	139,660	2,985,936
New York, New York	60,220	6,069,689	115,870,363
Omaha-Council Bluffs, Nebr.-Ia.	2,336	111,550	2,169,655
Quad Cities, Ill.-Ia.	1,189	83,614	1,421,438
San Diego, California	179	99,468 1/	2,531,773
Sioux City, Iowa	1,206	49,565	862,935
St. Louis, Missouri	4,003	350,235	7,246,355
Toledo, Ohio	2,386	133,334	2,474,675
Topeka, Kansas	212	19,863 1/	373,205
Twin Cities, Minnesota	5,621	490,338	8,399,489
Washington, D. C.	1,448	279,220	7,759,521
Wichita, Kansas	396	46,065 1/	927,103
Total	128,844	12,128,754	235,512,216

1/ Reported as butterfat and converted to milk equivalent.
2/ For period May 5, 1941-June 30, 1941.

SURPLUS MARKETING ADMINISTRATION

(a) EXPORTATION AND DOMESTIC CONSUMPTION OF AGRICULTURAL COMMODITIES

This Budget schedule covers allotments to the Surplus Marketing Administration from the appropriation under this heading. The appropriation as a whole is discussed in its entirety in the notes immediately above.

(b) EMERGENCY SUPPLIES FOR TERRITORIES AND POSSESSIONS, DEPARTMENT OF AGRICULTURE

The language bracketed on page 504 of the House Committee print is a special appropriation in Public Law 371, approved December 23, 1941 (which was too late for inclusion in the Budget) of $35,000,000 under the foregoing title.

As a result of the involvement of this country in war, the territories and possessions of the United States are faced with possible shortages of agricultural and other commodities and supplies essential to the existence of their civilian population. It therefore becomes necessary, as the need arises, to provide the territories and possessions with agricultural commodities and supplies in sufficient amounts to meet both their immediate and future requirements.

This fund is for the procurement, transportation, and distribution of agricultural and other commodities and supplies to meet the emergent requirements of the civilian population of the territories and possessions of the United States, including purchasing, exchanging, processing, distributing, disposing of, transporting, storing, handling and inspecting, commissions, and insurance, exclusive of marine risks, and for administrative expenses incident thereto.

Materials and supplies procured under this authority may be disposed of by sale, the proceeds from such sales and any other receipts from operations shall be deposited to the credit of this appropriation when payment is received, and such appropriation including such deposits shall remain available for expenditure until six months have elapsed after the termination of the unlimited national emergency declared by the President on May 27, 1941.

(c) SALARIES AND EXPENSES, AGRICULTURAL ADJUSTMENT ADMINISTRATION

The Budget schedule covers fiscal year 1941 and 1942 allotments to the Surplus Marketing Administration from the appropriation under this heading for administrative expenses in connection with carrying out the Agricultural Marketing Agreement Act of 1937. The Budget estimate covering marketing agreement activities for the fiscal year 1943 has been included under "Exportation and Domestic Consumption of Agricultural Commodities" (see Project 8), as explained in the related explanatory notes.

(d) REFUGEE RELIEF (ALLOTMENT TO AGRICULTURE, OFFICE OF THE SECRETARY)

The schedule covers expenditures from allocations by the President, pursuant to the Emergency Relief Act, 1941, and Executive Order 8495 under which the Department acts as agent in purchasing agricultural commodities for delivery to the Red Cross.

The Red Cross is faced with the problem of relieving suffering by distributing agricultural commodities to nations, whose inhabitants have been rendered destitute as a result of hostilities or invasion. Up to the present time agricultural commodities purchased for such use have not been in quantities large enough to have any market effect on market conditions.

A considerable expansion of Red Cross activities is very likely to occur as a result of the present war. The extent of increased demands upon this Administration in connection with such expansion is, of course, not known at this time.

Agricultural supplies are purchased at the request of the Red Cross and delivered at any port of embarkation for distribution to refugees as determined by the Red Cross.

Agricultural commodities or products thereof which have been purchased from the beginning of the program through November 30, 1941, are set forth below:

Commodity	Quantity	Value
Apples, Dried	1,025,000 pounds	$62,760.09
Bags, Paper	275,000 bags	2,753.50
Beans, Dried	2,499,800 pounds	79,806.54
Blankets, Cotton	152,450 blankets	148,742.90
Cocoa, Milk	375,632 pounds	59,292.00
Cotton	20,062 pounds	2,256.98
Flour, Graham	135,629 barrels	530,475.96
Flour, Wheat	60,000 barrels	266,200.00
Flour, Wheat, Enriched	154,282 barrels	761,657.29
Garden Seed	279,990 pounds	50,666.91
Grapefruit Juice	30,876 cases	37,209.68
Lard	7,088,865 pounds	496,473.74
Milk Condensed	184,800 pounds	19,304.00
Milk, Dry Skim	447,300 pounds	45,487.06
Milk, Dry Whole	1,555,445 pounds	459,975.31
Milk, Evaporated	711,121 cases	2,138,110.16
Milk, Malted, Plain	56,830 pounds	9,380.95
Milk, Malted, Tablets	1,740 pounds	588.32
Milk, Whole Powdered	4,199,468 pounds	1,027,084.53
Miscellaneous Handling		9,510.57
Oats, Rolled	1,499,650 pounds	42,609.57
Oleomargarine	160,000 pounds	13,200.00
Prunes, Dried	1,430,000 pounds	57,614.52
Raisins	825,000 pounds	35,830.88
Rice	6,660,000 pounds	226,625.02
Rye, Sacked	149,974 bushels	96,124.56
Samples, (Various)		89.65
Soup, Dehydrated	95,578 pounds	16,485.15
Soup, Soy and Navy Bean	64,995 pounds	9,099.30
Syrup, Cane	16,498 cases	50,378.20
Wheat, Cracked	24,763,383 pounds	671,521.46
Wheat, Sacked	250,000 bushels	262,604.02
Wheat, Meal	582,400 pounds	15,448.35
	Total	7,705,367.17

The destination of these commodities and their value are shown below:

Destination	Value
Finland	$ 1,138,116.50
China	858,130.82
Spain	1,482,324.14
England	154,043.67
Greece	712,519.93
France	2,099,214.75
Undelivered, destination unknown	1,261,017.36
	7,705,367.17

(e) CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES, DEPARTMENT OF AGRICULTURE (SURPLUS MARKETING ADMINISTRATION)

The Budget schedule covers 1941 allotments to the Surplus Marketing Administration from the appropriation under this heading.

At the request of the Agricultural Adjustment Administration, the Investigation Division of the Surplus Marketing Administration checked compliance with the marketing quota provisions of the agricultural conservation program. The facts found by the Investigation Division were reported to the Agricultural Adjustment Administration for such action as might be considered appropriate in the circumstances. Successful administration of these programs required prompt and complete information in alleged irregularities. In 1942 and 1943 such investigations will be conducted by the Agricultural Adjustment Administration, and therefore estimates for 1942 and 1943 have not been included in this budget schedule.

(f) CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES, DEPARTMENT OF AGRICULTURE (ADJUSTMENTS IN FREIGHT RATES FOR FARM PRODUCTS)

The Budget schedule covers allotment of funds pursuant to Section 201 (a)-(d) of the Agricultural Adjustment Act of 1938.

PROJECT STATEMENT

Projects	1941	1942 (estimated)	1943 (estimated)	Increase or decrease
1. Adjustment in freight rates for farm products	$49,951	$69,260	$69,260	- -
Transfer as shown in budget schedule	15,540	15,540	15,849	+ $309
Unobligated balance	9,409	- -	- -	- -
Total Allotment	74,900	84,800	85,109	+ 309

Objective: To increase returns to producers by securing adjustment of freight rates on farm products.

The problem and its significance: Few farmers' cooperative associations have facilities to examine and present the highly technical problems of freight rates, charges, tariffs, and practices relating to the transportation of farm products from the farm to the market before the Interstate Commerce Commission in the interests of producers.

Cost of transportation of produce from the farm to the market is the largest single item of expense for producers in marketing their products. In the existing emergency transportation facilities are of critical importance, and it is especially essential that this work be continued in a period when freight rates may be on the upward trend in order that producers may be adequately protected.

General plan: To cooperate with and assist cooperative associations of farmers in making complaints to the Interstate Commerce Commission with regard to freight rates on farm products. To survey the field of freight rates, charges, tariffs, and transportation practices, to make complaint to the Interstate Commerce Commission in cases of maladjustment from the standpoint of the producer, and to prosecute cases in behalf of the farmers' interests. The legal work in connection with this program is performed by the Office of the Solicitor.

Examples of progress and current program: Activities in connection with the adjustment of freight rates on farm products pursuant to Section 201 of the Agricultural Adjustment Act of 1938 have included the following projects during the fiscal year 1941:

1. Voluntary reductions in freight rates for cotton from Texas and Oklahoma and points to the gulf ports, the southeastern, the eastern, central and Canadian territories ranging in amounts from 9¢ to 15¢ per hundred pounds were secured through negotiations. It is estimated that these reductions will amount to over $750,000.00 in savings to producers each year.

2. The use of cotton bale covering was encouraged by securing freight rates for cotton bagging as a result of negotiations with the railroads and truck lines in the southeast, the Carolinas and the southwest.

3. An obstacle in the distribution of North Carolina white potatoes in the eastern and central western parts of the country was overcome by assisting in negotiations with the railroads to reduce the carload minimum weight from 30,000 to 24,000 pounds.

4. Negotiations with the southwestern lines resulted in the voluntary publication of tariff rules permitting the substitution of cotton to make "even-running lots" of cotton originating within fifty miles of the transit points.

5. As a result of conferences with the railroads, car rental charges for transporting potatoes from the south were cancelled representing a saving to producers of approximately $75,000.00 per annum.

6. Participation in securing an adjustment of rates to facilitate the flow of powdered and evaporated milk from points in the State of Washington to eastern outlets resulted in a lowering of rate from 44¢ to 37¢ per hundred pounds on 40,000 pounds minimum weight and an alternate rate of 25¢ per hundred pounds on a minimum weight of 60,000 pounds per car.

7. Securing an equalization of ocean freight rates on fresh grapes inbound from Argentina as well as southbound from the United States, abolishing a 10¢ differential previously existing in favor of inbound fresh grapes.

8. Assistance to producers was given in connection with the broad comprehensive investigation by the Interstate Commerce Commission in the livestock rates in the west. The ultimate result of these hearings has been that the producers were completely victorious since the Commission ordered an 85% basis of rates to apply into market points and by supplemental order has required a like basis to apply to proportionate hauls from the rate-break points.

9. Through negotiation, consideration has been secured from the northern railroads for the elimination of car rental on Maine potatoes.

10. Most of the background material in connection with the survey of rail rates on wool from the producing areas to points of consumption have been completed. It is anticipated that a revision of the wool freight rate structure will be accomplished during the fiscal year 1942.

11. Protest was filed with the Interstate Commerce Commission against cancellation of the existing privileges of reconsigning and diverting shipments of stocker and feeder livestock in transit. A decision is expected shortly.

At present, the following projects are pending before the railroads or the Interstate Commerce Commission:

1. Privilege of storage of wool in transit at points in the west.

2. Reductions of rates on citrus and deciduous fruits to offset approved increases in minimum estimate weights.

3. Maintenance of rail proportional rates moving to the east and reaching Chicago, Peoria and St. Louis by way of river barges.

4. Reduction on grain rates from 75 stations in southwestern Nebraska and northeastern Colorado to Omaha.

5. Establishment of line-haul rates on rail carriers which include picking up livestock at outlying points and trucking them to rail points.

6. Rehearing on Interstate Commerce Commission decision on rates in connection with cottonseed oil.

7. Adjustment of livestock rates from the west to the east and from the south to the east.

8. Elimination of charges for installing bulkheads in grain cars at an estimated saving of approximately $150,000.00 per annum.

9. Reduction in rates on shell eggs moving from the Pacific Northwest to New York and Chicago.

10. Reduction in rates on movements of cheese from the Pacific coast to the interior.

11. Reduction on freight rates on butter from Portland to Los Angeles.

12. General readjustment in freight rate structure for shelled and unshelled pecans.

13. Reduction in freight rates for grain moving from western Texas.

14. Adjustment of inter-coastal rates on wool.

15. Alignment of ocean rates on fresh Bartlett pears with domestic freight rate structure.

16. Resolution of the conflict between steamship freight tariffs and actual facilities available for counting, marking and weighing a bag of wool and mohair.

17. Survey of a need for "half-stage" refrigeration service on fruits and vegetables.

18. Survey of mileage allowances paid by railroads for use of refrigerated cars in transportation of perishable commodities.

19. Survey of the problem of ventilation services on citrus fruits.

(g) TRUST ACCOUNT

Redemption of Order Stamps, Surplus Marketing Administration

The Budget schedule reflects deposits in trust in the Treasury of the United States of funds received from local and State welfare agencies in payment of orange food order and green cotton order stamps, which funds are currently made available for the redemption of such stamps by the Surplus Marketing Administration in connection with the Food and Cotton Stamp Plans, as more fully explained under Projects 1 and 2 under "Exportation and Domestic Consumption of Agricultural Commodities."

(h) SPECIAL DEPOSIT ACCOUNT
FEDERAL SURPLUS COMMODITIES CORPORATION
NORTHEASTERN TIMBER SALVAGE ADMINISTRATION.

The Budget schedule reflects the administrative and program expenses of the Northeastern Timber Salvage Administration, an organization within the Federal Surplus Commodities Corporation, engaged in salvaging timber in New England damaged by the hurricane. These activities are conducted and financed pursuant to a loan agreement between the Corporation and the Disaster Loan Corporation. Responsibility for the technical operation of this program has been delegated to the Forest Service.

(i) SPECIAL DEPOSIT ACCOUNT
FEDERAL SURPLUS COMMODITIES CORPORATION
FEDERAL EMERGENCY RELIEF ADMINISTRATION

The Budget schedule reflects the status of the residual funds of the Federal Surplus Relief Corporation, which were derived from donations of funds and commodities to the Corporation by the States, and the assignment by States to the Corporation of direct relief grants to the States by the Federal Emergency Relief Administration. Except for the liquidation of possible outstanding claims, the only activity contemplated in 1942 involves the payment to this fund of $500,000 from the account "Special Deposit Account, Purchase for Export of Wheat and Flour, F.S.C.C." (see related explanatory note). Present plans do not contemplate any activity in 1943.

(j) SPECIAL DEPOSIT ACCOUNT
FEDERAL SURPLUS COMMODITIES CORPORATION
PURCHASE FOR EXPORT OF WHEAT AND FLOUR

The Budget schedule shows the borrowing and repayment of funds to the Reconstruction Finance Corporation, temporary use of a portion of the residual funds of the Federal Surplus Commodities Corporation, and the collection of indemnity payments from the Secretary of Agriculture in connection with the purchase of wheat and flour domestically and the sale thereof in the export trade pursuant to the agreement between the Federal Surplus Commodities Corporation, the Reconstruction Finance Corporation and the Secretary of Agriculture. The only activity contemplated under this account in 1942 involves the return of $500,000 to "Special Deposit Account, F.S.C.C.-F.E.R.A." This amount was previously borrowed from that fund, to permit immediate repayment of an RFC loan, thereby eliminating related interest charges. This action was taken in anticipation of receiving indemnity payments and refunds due this account. No activity is expected under this account in 1943.

(k) SPECIAL DEPOSIT ACCOUNT
FEDERAL SURPLUS COMMODITIES CORPORATION
OPERATING ACCOUNT FOR LOANED WHEAT

The Budget schedule shows the purchases by the Federal Surplus Commodities Corporation of wheat under Commodity Credit Corporation loans and the sale of such wheat in export trade pursuant to an agreement between the Federal Surplus Commodities Corporation and the Commodity Credit Corporation. The wheat is sold to the

export trade at foreign market prices. Collections received in payment thereof as well as indemnity payments made by the Secretary from Section 32 funds (representing the differential between foreign and domestic market prices) are deposited in this account, the proceeds of which are then used to pay the Commodity Credit Corporation for the wheat.

At the time this budget schedule was prepared, the extent of activity under this account in 1942 was very indefinite, and therefore, estimated obligations for 1942 were not shown. However, present indications are that purchases of wheat from the Commodity Credit Corporation and the sale thereof to the export trade in 1942 may reach a maximum of 10,000,000 bushels at an approximate domestic value of $10,900,000. The extent of 1943 activity is at present unknown.

(l) SPECIAL DEPOSIT ACCOUNT
FEDERAL SURPLUS COMMODITIES CORPORATION
OPERATING ACCOUNT FOR LOANED CORN

The Budget schedule reflects the purchases by the Federal Surplus Commodities Corporation of corn under Commodity Credit Corporation loans and the sale of such corn in the export trade pursuant to an agreement between the Federal Surplus Commodities Corporation and the Commodity Credit Corporation. Operations under this account are essentially the same as the operations under the account "Special Deposit Account, Operating Account for Loaned Wheat, F.S.C.C." Present plans do not provide for any activity under this account in either 1942 or 1943.

(m) TRUST ACCOUNT
FEDERAL SURPLUS COMMODITIES CORPORATION
PURCHASES FOR STATES

The Budget schedule shows the status of the account transferred to the procurement Division of the U. S. Treasury for the purchase of supplies for the Federal Surplus Commodities Corporation. It is expected that during 1942 the $45 balance remaining in this account will either be used for the purchase of supplies or returned to the residual funds of F.S.C.C., the source from which it originally was transferred. No activity is contemplated under this account in 1943.

(n) TRUST ACCOUNT
FEDERAL SURPLUS COMMODITIES CORPORATION
EXPENSES, SALE OF HIDES

The Budget schedule reflects the costs of storage and inspection incident to the sale of hides and skins received by the Federal Surplus Relief Corporation as a result of the draught cattle purchase program, for the account of miscellaneous receipts of the U. S. Treasury. No activity is contemplated under this account in 1942 and 1943.

(o) LEND-LEASE ACTIVITIES

Allocations made to the Surplus Marketing Administration in connection with Lend-Lease operations are not shown in the Department of Agriculture estimates but are included in the 1943 Budget in the sections dealing with "Defense Aid, Agricultural, Industrial, and Other Commodities", and "Defense Aid, Administrative Expenses."

[illegible] and a market place. Collection is achieved in payment [illegible] well as indirectly through taxes made by the Government. Thus Section 22 [illegible] (in accordance with different-sized bottom levels in a [illegible] market place) or [illegible] in the economy, the proceeds of which are then used to pay the [illegible] Credit Corporation for the plant.

At this time this is a conduit [illegible] proposed, the amount of [illegible] is a [illegible] account is [illegible] very important, as therefore, estimates [illegible] the [illegible] are shown. However, present indications are that [illegible] of [illegible] from the Commodity Credit Corporation and [illegible] interest to [illegible] in the [illegible] year [illegible] of 30,000,000 [illegible] of [illegible] [illegible] value of [illegible]. The amount of [illegible] is [illegible].

(1) [illegible] LOANS

[illegible] CONTRIBUTE [illegible]

[illegible] [illegible]

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INTERNATIONAL PRODUCTION CONTROL COMMITTEES

PROJECT STATEMENT

Projects	1941 (estimated)	1942 (estimated)	1943 (estimated)
1. U.S. share of direct contributions for expenses of the International Production Control Committees	$12,256	$7,500	$7,500
2. Professional and clerical services and other expenses incident to formulation of new international commodity agreements	1,244	10,000	10,000
3. Unobligated balance	4,000	- -	- -
Total	17,500	17,500	17,500
Allotted from:			
"Salaries and expenses, A.A.A.".....	- 13,500	-13,500	-13,500
"Sugar Act of 1937"	- 4,000	- 4,000	- 4,000
Total estimate or appropriation .	- -	- -	- -

This item continues during the fiscal year 1943 the provision which enables the Secretary of Agriculture to utilize funds available for Agricultural Adjustment Administration to cover the cost of United States membership in the International Wheat Advisory Committee or like events or bodies concerned with the reduction of agricultural surpluses, etc., and to provide for travel and incidental expenses in connection with such participation. The amount estimated for 1943 is the same as for 1942 ($17,500).

Since 1935 expenses of representatives of the United States Department of Agriculture attending sessions of the International Wheat Advisory Committee have been paid under the authority contained in this limitation. Since the fiscal year 1938, expenses have also been paid on account of the International Sugar Council. In addition, this limitation has covered the reimbursement of the State Department for its payment of the United States' share of the costs of the Committee and the Council. Expenses incurred by the Department in connection with the International Cotton Committee and the statistical work of the Secretariat are also paid from this fund.

THE PRESENT STATUS OF AGREEMENTS

To a large extent the war has disrupted the operations of international commodity agreements, although a notable exception is to be found in the Inter-American Coffee Agreement which has contributed greatly to stabilizing the market situation for this commodity in the Western Hemisphere. The

war has not, however, stopped, but on the contrary has increased, the important work of planning and negotiating agreements which can be put into effect once the war is over. While the war has caused a shift in the case of most commodities from a surplus position to a scarcity position, there continues to be serious surplus problems affecting two products of major importance in American agriculture - cotton and wheat. According to information now available, there will be a surplus supply of cotton in the Western Hemisphere alone at the beginning of the marketing year for the 1942 American crop of around 15 million bales. Similarly, in the case of wheat there will be available in the four major exporting countries in July 1942, over 1,100 million bushels of wheat for which no export outlets exist. This figure does not take into account the new crops for harvest in 1942. It is a significant fact that these surpluses of cotton and wheat are almost exclusively held in the United States, the British Empire, and Latin American countries.

International Wheat Advisory Committee

In July 1941 a meeting was called in Washington of representatives of the four overseas exporting countries - Argentina, Australia, Canada and the United States - and the United Kingdom to lay the ground-work for a post-war wheat agreement. This group completed a draft agreement for the consideration of the governments concerned in August. The discussions were resumed in October and are still continuing. There is every prospect that a basic agreement as to post-war marketing of wheat will be reached. An important new feature of such an agreement will concern the provision of relief wheat to war stricken countries in the immediate post-war period.

While the meetings have been held in the offices of the United States Department of Agriculture, the Secretariat of the Wheat Advisory Committee has provided the necessary secretarial and clerical assistance.

International Cotton Meetings

The International Cotton Advisory Committee met in April 1941 to review the cotton market situation under war conditions. Representatives of the following countries participated:

Brazil	Turkey
Egypt	Mexico
India	U.S.S.R.
Peru	British Colonies

In addition, the International Financial and Economic Advisory Committee, established as a result of the First Meeting of Foreign Ministers of the American Republics in Panama in 1940, established a subcommittee to give special consideration to the problem of cotton. This committee has approved in principle the idea of an international agreement on the production and marketing of cotton.

A special wartime arrangement falling in the same general field is in the process of negotiation between the United States, Brazil and Canada affecting the marketing of American and Brazilian cotton in the latter country.

[illegible]

International Sugar Council

The International Sugar Council is being continued on a skeleton basis. So far as the Western Hemisphere is concerned the sugar surplus problem has ceased to exist. What has happened is that supplies are stacking up in the Asiatic countries which are no longer able to send their sugar into world markets. In the meantime Western Hemisphere countries are finding it necessary to expand production. This means that when the war is over it will be necessary once more to bring about an adjustment between available supplies and available markets.

ADMINISTRATION OF FEDERAL CROP INSURANCE ACT

Appropriation Act, 1942	$5,559,827
Second Supplemental National Defense Appropriation Act, 1942, for cotton crop insurance	3,000,000
Total available, 1942	8,559,827
Budget estimate, 1943	9,263,127
Change from 1942:	
Net increase in working funds	+ 690,173
Additional for administrative promotions	+ 13,127
Net increase	+ 703,300

PROJECT STATEMENT

	1941	1942 (estimated)	1943 (estimated)	Increase or decrease
1. Federal Crop Insurance Corporation field offices: Supervision of purchase, storage, and sale of commodity reserves; approval of bases for crop insurance yield and premium rates in individual counties; and accounting for and verification of premiums collected and indemnities paid.....	$800,069	$1,349,061	$1,590,106	+ $241,045(1)
2. Storage costs and other direct expenses incident to the acquisition, maintenance, and sale of commodity reserves (except transportation).....	1,016,095	1,256,945	210,501	- 1,046,444(2)
3. Agricultural Adjustment Administration and State and County Agricultural Conservation Committees: Collection of premiums and adjustment of loss claims, collection of data for use in establishing crop insurance yield and premium rates, taking and recommending for approval applications for crop insurance.....	2,892,640	4,861,291	6,293,102	+1,431,811(3)
4. Research and development in connection with establishment of bases for crop insurance..	21,605	26,375	26,375	- -
5. General administration, program planning and direction, and business service	379,539	819,216	872,988	+ 53,772(4)

Projects	1941	1942 (estimated)	1943 (estimated)	Increase or decrease
6. Within-grade promotions--net cost	- -	- -	$13,127	+ $13,127
Unobligated balance	$213,947	- -	- -	- -
Transfers as shown in Budget schedules	199,305	246,939	256,928	+ 9,989 (5)
1940 unobligated balance available in 1941	- 100,000	- -	- -	- -
Total estimate or appropriation	5,423,200	8,559,827	9,263,127	+ 703,300

INCREASES AND DECREASES

(1) An increase of $241,045 is requested under the project, "Federal Crop Insurance Corporation field offices--supervision of purchase, storage, and sale of commodity reserves, approval of bases for crop insurance yields and premium rates in individual counties and accounting for and verification of premiums collected and indemnities paid."

This increase represents the estimated increased costs of operating the cotton branch offices for a full year in 1943 as compared to part-year operation in 1942.

(2) A decrease of $1,046,444 under the project, "Storage costs and other direct expenses incident to the acquisition, maintenance, and sale of commodity reserves (except transportation)."

This decrease represents the economy to be effected by the Crop Insurance Corporation through the estimated decrease in expenses for storage charges due to the acceptance of commodity notes in payment of premiums, as it is not planned to carry commodity reserves to cover these premiums until the notes are paid by the producers.

(3) An increase of $1,431,811 under the project, "Agricultural Adjustment Administration and State and County Agricultural Conservation Committees - collection of premiums and adjustment of loss claims, collection of data for use in establishing crop insurance yield and premium rates, taking and recommending for approval applications for crop insurance."

Wheat - An increase of $160,000 is requested to cover the estimated increase in this item for wheat due to the anticipated increased participation.

Cotton - An increase of $1,271,811 is requested to cover the estimated increase in this item for cotton. In 1943 there will be a complete cycle of operations while in 1942 there will probably be no indemnity claims presented for approval. Based on the experience gained in the wheat program, it is estimated that the second year of operation will show a very substantial increase in participation.

(4) An increase of $53,772 under the project, "General Administration, Program Planning and Direction, and Business Service."

This increase represents the estimated increased cost of the cotton program operation in headquarters for a full year in 1943 as compared to part-year operation in 1942.

(5) Transfers. The net increase of $9,989 arises out of adjustments of allotments and transfers, as shown in the Budget schedules and as previously explained under the various bureaus and offices involved, for departmental administrative, legal, economic, and informational services related to the crop insurance program, and in the funds transferred to the Treasury Department, as also shown in the Budget schedule.

CHANGES IN LANGUAGE

The estimates include a proposed change in the language of this item as follows (new language underscored, deleted matter enclosed with brackets):

> Administrative and operating expenses: For operating and administrative expenses under the Federal Crop Insurance Act, approved February 16, 1938, as amended [(7 U.S.C. 1501-1518), $5,559,827 of which $59,827 shall be transferred to and made a part of the appropriation, "Salaries and expenses, Bureau of Agricultural Economics", to be allotted by the Secretary of Agriculture (a) to the Federal Crop Insurance Corporation, as authorized by section 516 (a) of such Act, and (b) to bureaus and offices of the Department of Agriculture or for transfer to other agencies of State and Federal Governments, as authorized by section 507 (d) of such Act; and such part as the Secretary allots under clause (b) hereof shall be available for] (7 U.S.C. 1501-1518, and 55 Stat. 255-256), including the employment of persons and means in the District of Columbia and elsewhere, [rent in the District of Columbia], printing and binding, purchase of lawbooks, books of reference, periodicals, and newspapers, $9,263,127.

(1) The first change deletes the language "of which $59,827 shall be transferred to and made a part of the appropriation, 'Salaries and expenses, Bureau of Agricultural Economics,' to be allotted by the Secretary of Agriculture (a) to the Federal Crop Insurance Corporation, as authorized by section 516(a) of such Act and (b) to bureaus and offices of the Department of Agriculture or for transfer to other agencies of State and Federal Governments, as authorized by section 507(d) of such Act; and such part as the Secretary allots under clause (b) hereof shall be available for". This language is unnecessary since the enabling act makes these provisions.

(2) The second change deletes the language "rent in the District of Columbia". An amount sufficient to cover all necessary space rent in the District of Columbia was transferred from this appropriation to, and subsequently estimated for under, "Salaries and expenses, Public Buildings and Grounds in the District of Columbia, Public Buildings Administration" in the 1942 Budget.

(3) The third change inserts "printing and binding" in order that the funds of the Corporation may be available for expenditures for printing. Because of the commercial nature of crop insurance programs, where the participation in the program may vary widely from year to year, it has been found impracticable to forecast a definite sum for printing.

WORK UNDER THIS APPROPRIATION

Objective: To promote the economic security of the farmers of the nation by providing them with the opportunity to insure their wheat and cotton crops against losses due to unavoidable causes thus assuring income which will enable them to continue their production as stable economic units in our society.

The problem: The development of actuarial data on yields and rates for the basis of insurance cost and coverage; acceptance of applications for crop insurance; collection of premiums; maintenance, storage, purchase, and sale of commodity reserves, and approval and payment of claims for indemnities to cover losses in yields.

Plan of work: Centralization of development, maintenance, and control located in the principal office of the Corporation which in accordance with the Federal Crop Insurance Act shall be located in the District of Columbia.

Decentralization to field offices located in strategic points to accomplish the major parts of the activities of the programs. The field offices will approve the yields and rates in the individual counties which they serve; purchase, store, and sell commodity reserves; account for and audit transactions; and pay indemnity claims.

The local administration of the wheat and cotton programs will be performed by the State and County Agricultural Conservation Committees.

Administration of Federal Crop Insurance Act, Federal Crop Insurance Corporation

VOLUME OF WORK - COTTON CROP INSURANCE PROGRAM

		1942 Estimated	1943 Estimated	Maximum Estimated
1.	Number of insurance or production units insured	400,000	500,000	1,500,000
2.	Premiums collected (pounds of lint)	116,433,524	140,541,905	380,000,000
	(bales)	232,869	291,084	760,000
3.	Number of storage points	20	20	50
4.	Insured acreage	6,795,146	8,493,932	20,000,000
5.	Insured production (bales of lint cotton)	3,046,760	3,808,450	10,000,000
6.	Loss claims approved for payment	--	--	--
7.	Indemnities approved for payment (pounds of lint)	--	--	--
8.	Number of states in which crop insurance written	17	17	19
9.	Number of counties in which crop insurance written	950	950	1,000
10.	Number of states for which yield and rate data established	19	19	19
11.	Number of counties for which yield and rate data established	1,000	1,000	1,000

Administration of Federal Crop Insurance Act, Federal Crop Insurance Corporation

VOLUME OF WORK - WHEAT CROP INSURANCE PROGRAM

		1939 Actual	1940 Actual	1941 Actual (As of 8-31-41)	1942 Estimated	1943 Estimated	Maximum Estimated
1.	Number of applications accepted and policies written	165,775	360,589	421,260	510,000	527,000	1,200,000*
2.	Premiums collected (bushels)	6,670,129	13,800,812	14,246,443	17,425,000	18,000,000	48,000,000
3.	Number of storage points	72	199	240	100	100	100
4.	Insured acreage	7,234,833	12,758,420	11,032,588	15,250,000	15,800,000	42,000,000
5.	Insured production (bushels)	60,836,338	108,297,377	109,838,877	130,700,000	135,000,000	360,000,000
6.	Loss claims approved for payment	55,930	112,718	92,894	Note	Note	Note
7.	Indemnities approved for payment (bushels)	10,163,489	22,895,629	14,553,871	Note	Note	Note
8.	Number of states in which crop insurance written	31	33	36	36	36	36
9.	Number of counties in which crop insurance written	1,289	1,436	1,464	1,475	1,485	1,900
10.	Number or states for which yield and rate data established	36	36	36	36	36	36
11.	Number of counties for which yield and rate data established	1,810	1,820	1,822	1,894	1,894	1,900

*The Corporation has attempted to ascertain approximately the number of farms producing wheat as an income crop which could be considered as potential customers for crop insurance. Although there are considerable data available concerning wheat production, these figures are not adequate to furnish information concerning those which might be crop insurance customers. Therefore, the Corporation has been forced to estimate that probably 1,800,000 farmers grew wheat in sufficient quantity to make crop insurance a useful device in connection with their farm management programs. However, many of these farmers, possibly 800,000 to 1,000,000 do not consider their wheat growing operations of importance in their farming operations. Therefore the Corporation has estimated its maximum potential market as being the insurance of approximately 1,200,000 wheat farmers.

Note: Not practical to forecast crop results for this statement.

STATEMENT I

UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
BALANCE SHEET - MONETARY
AS AT NOVEMBER 30, 1941

A S S E T S

Cash		$2,742,551.26
Accounts Receivable		
Sale of Wheat - Commodity Credit Corporation	$28,123.94	
Advances by Secretary	835.46	
Amounts Due by Individuals	3,458.64	
Miscellaneous	3,423.70	
Total Accounts Receivable		35,841.74
Notes Receivable - Premium Collections		
1942 Crop Year (Estimated)		12,600,000.00
Wheat Inventory		
In Store	$10,803,853.24	
Purchase Commitments	260,773.75	
Total Wheat Inventory		11,064,626.99
Total Assets		$26,443,019.99

L I A B I L I T I E S A N D C A P I T A L

Accounts Payable		
Uncompleted Purchase of Wheat	$260,773.75	
Administrative Fund	83,650.00	
County Committee	12,747.59	
Checks Returned Payable	360.97	
Amounts Payable to Individuals	202.31	
Total Accounts Payable		$357,734.62
Indemnities Payable (Estimated)		11,200,000.00
Operating Reserve (Statement 3)	$888,733.37	
Less: Other Operating Charges	3,448.00	
Net Operating Reserve		885,285.37
Total Liabilities		$12,443,019.99
Capital Stock	$40,000,000.00	
Less: Capital Fund Unrequisitioned from U. S. Treasury	26,000,000.00	14,000,000.00
Total Liabilities and Capital		$26,443,019.99

STATEMENT 2

UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
BALANCE SHEET - WHEAT
AS AT NOVEMBER 30, 1941

A S S E T S

	Bushels	Bushels
Wheat Inventory		
Wheat in Store	12,292,017-42	
Purchase Commitments	219,400-00	
Total		12,511,417-42
Notes Receivable - Premium Collections 1942 Crop Year (Estimated)		14,000,000-00
Short Position		
Inventory Requirements		
Unapplied Deposits	8,520-05	
Indemnities Payable	12,464,628-24	
Premium Collections - 1942	74,542-41	
Total Inventory Requirements	12,547,691-10	
Less: Inventory	12,511,417-42	
Net Short Position		36,273-28
Total Assets		26,547,691-10

L I A B I L I T I E S

Deposits for Future Premiums		
Unapplied Deposits for - 1939	1-05	
Unapplied Deposits for - 1940	8,519-00	
Total Deposits for Future Premiums		8,520-05
Indemnities Payable		
Deferred - 1940	126-00	
Uncertified - 1941	41,819-24	
Deferred - 1941	473,847-00	
On Loan to CCC - 1941	11,948,836-00	
Total Indemnities Payable		12,464,628-24
Capital Fund - Wheat equivalent arising from the use of Capital Funds to cover the excess of Indemnity Payments over Premium Collections		
1939 - Crop Year	3,493,370-30	
1940 - Crop Year	9,102,219-06	
1941 - Crop Year	5,250,488-58	17,846,078-34
Insurance Reserve (Statement 4)		-3,771,535-53
Total Liabilities		26,547,691-10

UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
STATEMENT OF OPERATING RESERVE BY CROP YEARS
AS AT NOVEMBER 30, 1941

	Premium Collections	Cost of Indemnities: Indemnity Payments /1	Cost of Indemnities: Less: Excess of Sales Over Cost /2	Operating Reserve
1939 Crop Year	$3,410,900.90	$5,601,156.17	- $4,819.62	-$2,195,074.89
1940 Crop Year	9,157,558.81	13,623,078.43	- 178,792.92	- 4,644,312.54
1941 Crop Year	11,389,832.19	16,896,985.17	579,812.16	- 4,927,340.82
1942 Crop Year	12,655,461.62	- -	- -	12,655,461.62
Total	$36,613,753.52	$36,121,219.77	$396,199.62	$ 888,733.37

/1 ANALYSIS OF INDEMNITY PAYMENTS

	Crop Year 1939	Crop Year 1940	Crop Year 1941	Total
Indemnities				
Paid and Accrued	$5,080,577.40	$12,066,203.96	$16,896,985.17	$34,043,766.53
Paid in Wheat - Inventory Cost	520,578.77	1,556,874.47	- -	2,077,453.24
Total Indemnity Payments	$5,601,156.17	$13,623,078.43	$16,896,985.17	$36,121,219.77

/2 ANALYSIS OF EXCESS OF SALES OVER COST

	Crop Year 1939	Crop Year 1940	Crop Year 1941	Total
Wheat Sales	$4,832,283.26	$4,620,629.41	$2,650,320.70	$12,103,233.37
Less: Cost of Wheat Sold to Pay Cash Indemnities	4,837,102.88	4,799,422.33	2,070,508.54	11,707,033.75
Total Excess of Sales over Cost	- $4,819.62	- $178,792.92	$579,812.16	$396,199.62

STATEMENT 4

UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
STATEMENT OF INSURANCE RESERVE BY CROP YEARS
AS AT NOVEMBER 30, 1941

	Premium Collections (Bushels)	Indemnities Paid and Accrued (Bushels)	Insurance Reserve (Bushels)
1939 Crop Year	6,670,118-55	10,163,489-25	- 3,493,370-30
1940 Crop Year	13,797,050-54	22,899,270-00	- 9,102,219-06
1941 Crop Year /1	13,395,186-26	18,645,675-24	- 5,250,488-58
1942 Crop Year (Estimated)	14,074,542-41	- -	14,074,542-41
	47,936,898-56	51,708,434-49	- 3,771,535-53

/1 Reflects 403,736-00 bushels estimated 1941 premium decrease, the actual amount of which will not be determined until the Post Audit Reports are completed.

FARM TENANT ACT

Three items are grouped under this head in the Agricultural Appropriation Act: (1) "Farm Tenancy" (Title I of the Bankhead-Jones Farm Tenant Act of July 22, 1937 (7 U.S.C. 1000-1006)); (2) "Liquidation and Management of Resettlement Projects" (Title IV of the Farm Tenant Act); and (3) "Land Utilization and Retirement of Submarginal Land (Title III of the Act).

Responsibility for carrying out the purposes of Title I (tenancy loans) and Title IV (liquidation and management of resettlement projects) has been assigned to the Farm Security Administration.

Responsibility for activities dealing with the acquisition, improvement, protection and administrative phases of the land utilization program (Title III) has been assigned to the Soil Conservation Service.

(a) FARM TENANCY - TITLE I

Appropriated funds:	
Appropriation Act, 1942 (direct appropriation)	$2,488,912
1941 unexpended balance reappropriated, 1942	392,350
1941 obligations liquidated in 1942	-192,350
Net amount 1941 funds reappropriated for obligation in 1942	200,000
Net appropriation and reappropriation, 1942	2,688,912
Budget estimate, 1943	2,500,264
Change from 1942:	
Net reduction in working funds	-200,000
Additional for within-grade promotions	+11,352
Net decrease	-188,648

- Loan Funds under Title I -

Limitation on borrowings from R.F.C. for loans:	
Limitation, 1942	50,000,000
Limitation, Budget Estimate, 1943	40,000,000
Decrease in loan funds, 1943	-10,000,000
Net total funds available:	
1942	52,688,912
Estimate, 1943	42,500,264
Decrease, 1943	-10,188,648

PROJECT STATEMENT

Projects	1941 (actual)	1942 (estimated)	1943 (estimated)	Increase or decrease
1. Farm tenancy loans	$48,166,111	$50,000,000	$40,000,000	-$10,000,000(1)
2. Technical services, including state and county committees	1,644,275	1,817,372	1,681,856	-135,516(2)
3. Administrative expenses	601,138	617,090	600,132	-16,958(3)
4. Net cost of within-grade Promotions	- -	- -	11,352	+11,352
Total	50,411,524	52,434,462	42,293,340	-10,141,122
Transfers as shown in budget schedules	+256,411	+254,450	+206,924	-47,526
Net appropriation, reappropriation, and loan authorization	50,667,935	52,688,912	42,500,264	-10,188,648
1940 unobligated balance reappropriated, 1941	-201,862	- -	- -	
1941 funds reappropriated for obligation in 1942	+200,000	-200,000	- -	
1941 unobligated loan authorization balance not reappropriated	+1,833,889	- -	- -	
Total appropriation, and loan authorization	52,499,962	52,488,912	42,500,264	

DECREASE

The decrease in working funds of $10,188,648 in this item for 1943, consists of a decrease of $47,526 in the amount for transfers, an increase of $11,352 for within-grade promotions, and the following:

(1) A decrease of $10,000,000 (from $50,000,000 to $40,000,000) for farm tenancy loans for the fiscal year 1943. This decrease constitutes a reduction of $10,000,000 in the authorization of the Secretary of Agriculture to borrow funds from the Reconstruction Finance Corporation for farm tenancy loans. During the fiscal year 1942, it is estimated that the funds available will permit the making of approximately 9,000 farm tenant loans. The amount estimated for 1943 will permit the making of approximately 7,200 loans.

(2) A decrease of $135,516 for technical services, including state and county committees, in view of the elimination from the appropriation language of the provision for the reappropriation of the unobligated balances of the appropriation.

(3) A decrease of $16,958 for administrative expenses, in view of the elimination from the appropriation language of the provision for the reappropriation of the unobligated balances of the appropriation.

CHANGE IN LANGUAGE

The estimates include proposed changes in the language of this item as follows;

The first change eliminates the wording "including obligations chargeable against the appropriation for this purpose for the fiscal year 1941, $2,488,912, of which $38,950 shall be transferred to and made a part of the appropriation, 'Salaries and expenses, Bureau of Agriculture Economics', together with the unexpended balance of the appropriation under this head for the fiscal year 1941." The deletion of the language relating to the Bureau of Agricultural Economics is proposed since this specific provision is not necessary under the language submitted in the Budget for transfers to that Bureau in 1943. The deletion of the language relating to reappropriation of unexpended balances contemplates discontinuance of that arrangement after the fiscal year 1942.

The second change provides for the deletion of the wording "after such statistics become available, but prior to that time may be determined in accordance with such regulations as may be promulgated by the Secretary of Agriculture." This proposed change eliminates the provision whereby the Secretary of Agriculture would establish the value of the average farm unit of 30 acres or more prior to the availability of the statistics of the Farm Census of 1940, which provision is no longer necessary or operative inasmuch as the statistics of the Farm Census of 1940 are now available and being used in accordance with the appropriation language in determining the values.

WORK UNDER THIS APPROPRIATION

Objective: To promote more secure occupancy of farms and farm homes; to correct the economic instability resulting from some present forms of farm tenancy; to promote stability of the farm population and conservation of agricultural resources by enabling a limited number of farm tenants in the United States, Puerto Rico, and in the Territories of Alaska and Hawaii, to become farm owners; and to mitigate the economic instability resulting from insecure land tenure and a consequent mining of farm land for immediate returns. The immediate objective is to make loans, pursuant to the provisions of Title I of the Bankhead-Jones Farm Tenant Act, to American citizens in the States of the United States, in Puerto Rico, and in the Territories of Alaska and Hawaii, who are farm tenants, farm laborers, sharecroppers, or other individuals who obtain or recently obtained the major portion of their income from farming operations to acquire efficient economic family-size farms; to raise the standard of living among tenant farmers, and to increase their security of tenure. The ultimate objective is to retard the increase of farm tenancy, and to correct the economic instability and other evils resulting from farm tenancy.

Progress and current program:

Farm tenancy loans. Four years ago the first step was taken toward a solution of tenancy problems by the passage of the Bankhead-Jones Farm Tenant Act. Congress decided that this program should be started on a cautious, experimental basis, providing appropriations of $10,000,000 for the first year, $25,000,000 for the second, and $40,000,000 for the third year. For the fourth and fifth years, ending June 30, 1942, Congress authorized and directed each year that $50,000,000 be made available for loans through advances from Reconstruction Finance Corporation funds, rather than by direct appropriation. The Farm Security Administration, as of June 30, 1941, has made loans to 20,748 tenant families to enable them to purchase farms of their own.

In accordance with provisions of section 4 of the Bankhead-Jones Farm Tenant Act, the amount which is devoted to the making of loans during any fiscal year is distributed equitably among the several states and territories on the basis of farm population and the prevalence of tenancy. The distribution factors have been obtained each year from the most recent Agricultural Census. For the fiscal year 1942, the Agricultural Census of 1940 was used as the source of data. The distribution factors from that Census, the percentage distribution derived therefrom, as well as the method of determining the percentage distribution for the allocation of the loan funds, are shown in Table IV on p. [illegible] below.

Due to the limited funds available and the necessity of keeping administrative costs as low as possible, loans are made only in certain designated counties. These counties are recommended by State Farm Security Advisory Committees, which base their choice on the degree of need in each locality and the availability of good land at reasonable prices.

During the first year of operation only 332 counties were designated throughout the country, increasing each year until the number is 1,816 counties for the present fiscal year. In view of the proposed decrease in the estimate for loans and related expenses for the fiscal year 1943, it is contemplated that the program will be operated during the fiscal year 1943 in the 1,816 counties already designated. The number of counties designated for each of the fiscal years by States is shown in Table V on p. 137

Applications for such loans are made to the F. S. A. county supervisor. A special three-man committee, chosen from among the farmers of the county, considers the applications and certifies eligible families to the Secretary. To be eligible, the head of the family must be an American citizen, have a good reputation among his neighbors, have demonstrated resourcefulness and farming ability, and be unable to obtain financial aid elsewhere. The family must show a reasonable stability of residence, be free from infectious disease or physical disability which might hinder farm operations, and be desirous of participating in the program. The farmer has to agree to cooperate in developing and carrying out a sound farm and home management plan, to maintain adequate accounts and records, to keep the buildings in repair, to follow good soil practices, to pay taxes and assessments on the land and property, and to pay for insurance on the farm buildings. Preference is given applicants who are married or have dependents, who can make a down payment, or who own some livestock or farm implements. The county committee, in addition to certifying the applicants, satisfies itself that the farm which the applicant wants to buy is adequate in size and facilities, and that its price is in accordance with its earning capacity. Where the farm does not have ample buildings, or contains buildings in need of repair, the loan is made to cover the cost of construction or improvement. A farm must be of sufficient size to constitute an efficient farm management unit and to enable a diligent farm family to carry on successful farming of a type which is generally successful in the locality in which the farm is situated.

During the 1941 fiscal year, 146,966 applications were received for farm tenant loans in the 1,643 counties in which the program was being operated, as compared with the 8,695 loans made with funds which were available. An average of approximately 17 families applied for each loan which could be made with funds available during that fiscal year. Moreover, 286,103 applications were received during the three preceding years, as compared with the 12,053 loans made from funds which were available. The number of loan applications received, and the number of loans which have been made, by fiscal years from the inception of the program through June 30, 1941, are shown by states in Table No. VI on p. [illegible]

Every one of these loans is secured by a first mortgage on real estate, conservatively valued both by Government appraisers and by the county committee. The loans are repayable over a 40-year period at 3 percent interest. This means that in a great majority of cases the annual installments, plus taxes and insurance, amount to less than was formerly paid in rent. According to reports on tenant purchase borrowers who had been on their farms for one year on December 31, 1939, the average annual rental previously paid was $349; while the total of annual installment, taxes, and insurance is $317.

During the first year, loans averaging $5,046 each were made to 1,826 tenant families. During the second year, 4,190 loans were made averaging $5,622 each; during the third year, ending June 30, 1940, 6,037 loans were made averaging $6,012 each; and during the fourth year (fiscal year 1941) 8,695 loans were made averaging $5,531 each. Thus, during the four years of the program, 20,748 tenant families received loans totaling $117,222,762.35 for the purchase of their own farms. The number of borrowers, amount of loans approved, and the average amount of each loan by states combined for the fiscal years 1938, 1939, and 1940, for the fiscal year 1941, and from the inception of the program through June 30, 1941, is shown in Table No. VII on p. . A further distribution by states of the number of loans approved from inception through June 30, 1941, by size of loan, and by acreage groups, is shown in Tables No. VIII on p. and No. IX on p. 145 respectively.

The 20,748 borrowers, during the first four years, purchased farms averaging 133.2 acres. The average size ranged from 24.7 acres in Rhode Island, where small farms are profitable, to 537.1 acres in North Dakota, where cattle raising prevails. Often borrowers find it cheaper to buy unimproved land and erect the necessary buildings than to get fully improved farms. During the first four years, about 28 percent, or $1,560 of the average loan, went for improvements to land or buildings. Most of the prospective owners found farms with buildings that could be repaired. Those that needed to build new homes did so by using simple plans and construction methods worked out by Farm Security engineers, at an average cost of $1,383. Nearly all borrowers found some construction or repair work necessary on the outbuildings and barns. More than two-thirds of the new owners also made improvements to their land, such as terracing to prevent soil erosion. The purposes for which the money loaned through June 30, 1941, was expended, including an amount of $294,111.54 borne by borrowers, are shown by states in Table No. X on p. 147

Experience gained in establishing and administering the program under previous appropriations has effectively demonstrated its acceptability and practicability as a means of facilitating ownership of family-sized farms by tenants, sharecroppers, and farm laborers. Begun cautiously within the limits of the first appropriation, and developed carefully under subsequent appropriations, the tenancy program is in an excellent position for expansion when the present emergency shall have passed. The program for the fiscal year 1942, for which $50,000,000 has been made available for loans, will permit the making of loans to approximately 9,000 tenant families in 1,816 counties. A distribution of these loans by states is shown in Table XI on p. 149

In accordance with the provisions of the Department of Agriculture Appropriation Act, 1942, the funds available for loans may not be used for making loans for the purchase of farms of greater value than the average farm unit of 30 acres and more in the county, parish, or locality, in which such purchase may be made, which value shall be determined solely according to statistics of the Farm Census of 1940. These values are published in the 1940 Census Bulletins, Series 1, in the first county table and have been published in the Federal Register.

The estimate of $40,000,000 for the fiscal year 1943 will permit the continuation of the program on a basis of approximately 7,200 borrowers at an average loan of $5,556, in the same counties as in 1942. The estimated allocation of the estimate for loan funds is shown by states in Table No. XI on p. 149. The funds for this purpose would be obtained, as for the fiscal year 1942, through a loan from the Reconstruction Finance Corporation to the Secretary of Agriculture.

The evils of our tenancy system have been growing for more than a century; and it will take many years to cure them. A sound start has been made, however, and there is a reasonable prospect that eventually most of America's tenants either may become landowners or will reach an improved system of tenure, with greater security based on long-term written leases.

Technical services, including county committees. State Farm Security Advisory Committees have been established in each state and territory wherein the farm tenancy program is being operated. The advisory committees are composed of nine farm leaders in each state, usually including the Director of the Extension Service, editors of farm magazines, members of major farm organizations, and representatives of agricultural colleges. In addition to giving their advice and recommendation regarding other programs of the Farm Security Administration they determine and recommend to the Administrator the counties to which, in their opinion, the program should be extended, these recommendations being based upon the need in each locality and the availability of good land at reasonable prices. These recommendations are the basis for the designation of the counties in which the program is to operate. The members of state committees are allowed compensation at the rate of $10 per day for attendance at meetings and necessary traveling and subsistence expenses. Generally, the state committees meet about four times a year, usually for a one-day meeting and occasionally for a two-day meeting. State committeemen perform services averaging about six days per year.

In accordance with section 42 of the Bankhead-Jones Farm Tenant Act, there has been appointed in each county in which the program operates a county committee composed of three farmers residing therein. Each member of the committee is allowed compensation at the rate of $3 per day while engaged in the performance of duties in connection with this program. In addition, the committee members are allowed $1.50 per day for traveling and subsistence expenses. The Act provides compensation shall not be allowed for more than five days a month. On the average, the committees meet three or four days a month during the earlier part of each fiscal year, at which time they are considering applications, and meet less often during the latter part of the fiscal year. During the past four years, the committees have averaged approximately 20 days per year.

It is the responsibility of the county committee to examine the application of any person desiring to finance the acquisition of a farm in the county by means of a loan under this program, each application being filed with the Rural Rehabilitation County Supervisor. The committee must also examine and appraise farms in the county with respect to which an application for a

loan is made. If the committee finds that an applicant is eligible to receive the benefits of this program, that by reason of his character, ability, and experience he is likely to successfully carry out undertakings required of him, and that the farm with respect to which the application is made is of such character that there is a reasonable likelihood that the making of a loan will carry out the purposes of this Title, it is required to certify these facts to the Secretary or his designee.

The committee is also required to certify the amount which it finds is a reasonable value of the farm, as well as the fact that the loan recommended is not for the purchase of a farm of greater value than the average farm unit of thirty acres or more in the county, parish, or locality in which the loan is to be made. County committees have been established in 1,816 counties wherein the program will be operating during the fiscal year 1942 and it is contemplated that these same committees will serve this program in their respective counties during the fiscal year 1943.

The applicant and prospective borrower is also provided with additional technical advice and service through qualified appraisers and engineers. The appraisers, thoroughly qualified and experienced in appraising farm land and buildings, assist and advise the county committee and the applicant in the more technical and exacting problems which constantly confront them. Thus, an actual and careful appraisal is made of the farm being considered.

Through minute surveys and inspections of the property, tenant purchase engineers assist in selecting the farm, and determine the cost of making necessary repairs and improvements. These engineers prepare the necessary plans for repairing and/or constructing the farm buildings, dwellings, etc.; supervise the construction or repair work; negotiate contracts with private contractors; prepare plat maps, and perform other technical engineering functions essential to assure that the borrower is receiving the maximum value for the money which he is required to invest in the farm and improvements; determine that the farm is ample security for the Government's loan, and that the improvements made thereon are so constructed as to provide the required facilities which will last for a normal life expectancy.

An average of approximately one and a half farms are appraised and inspected for each farm which is finally selected. Between the time a farm is selected and completion of all the work thereon, an engineer is required to make a total of approximately five visits. Usually, these five visits are spread over a period of about three years -- two in the year in which the loan is approved, two in the following year, and one for final inspection in the third year. It is estimated that during a full year a tenant purchase engineer may carry out all the engineering requirements and responsibilities with respect to approximately 60 equivalent full-loan cases.

The volume of work which it is estimated will require engineering services during the fiscal year 1943 is based upon two visits for each of the approximately 7,200 loans which it is estimated will be made during the fiscal year 1943, two visits for each of the approximately 9,000 loans which it is

estimated will be made during the fiscal year 1942, and one visit for each of the 8,695 loans which were made during the fiscal year 1941. The total number of visits divided by five will give an equivalent of 8,300 cases requiring engineering services. This, of course, does not include the excess number of farms which are surveyed and inspected but not approved. On the basis of 60 cases per engineer, a minimum of 140 engineers will be required. The salaries of these engineers range from $2,600 to $3,500, depending upon the area in which the work is to be done and the volume of the work. Travel for the engineers is estimated at an average of approximately $2,000 each per year. Since the relatively small number of cases are widely scattered, considerable travel is required if an engineer is to make a minimum of three hundred visits to individual units during any fiscal year. As the number of loans increases, thereby increasing the density of the loan cases, it is expected that the average travel requirements may be somewhat lessened, and the number of cases per engineer somewhat increased.

The Farm Security Administration does not take the farmer's mortgage and then forget about him until collection time. After the local FSA supervisor and the county committee help the new owner find an adequate farm at a reasonable price, they do all they can to assist him in getting his farm operations under way. Trained supervisors advise the new owners on proper crop rotation, care of livestock, and the many other factors involved in sound farm management.

The farmer agrees ahead of time to a basic plan for operating the farm, which stresses home production of food and livestock feed, diversified cash crops, and conservation of the soil. As he puts the plan into operation, he may call on the FSA supervisor for technical help at any time.

Administrative expenses. Under the provisions of Title I of the Bankhead-Jones Farm Tenant Act, the Secretary has the responsibility for making properly secured loans, and also for their subsequent supervision to insure sound farming practices and collection of repayments. To discharge these responsibilities it is necessary to maintain an organization or to call upon the facilities of other organizations and/or appropriations to investigate applications, approve loans, investigate and arrange for the purchase of large tracts of land to be subdivided into individual Tenant Purchase units, negotiate contracts, examine vouchers, keep accounts, pass on abstracts of titles, prepare mortgages and other legal documents, provide legal assistance, recruit and train personnel, advise on farm and home management planning, promote and supervise proper farming practices, and provide collection services. The personnel required for this purpose are distributed throughout the 48 states, the District of Columbia, the Territory of Hawaii, and Puerto Rico.

General administrative services, in addition to the work of farm and home management supervision and loan collections, must be provided for all loans made from past appropriations, as well as for all new loans. In addition, special administrative services are required for problems arising in connection with the death of tenant purchase borrowers and with the abandonment, transfer, foreclosure, and voluntary conveyance of tenant purchase farms, as well as with the leasing, management, maintenance, and resale of farms acquired under the authorities given in section 51 of the Bankhead-Jones Farm Tenant Act. There is, therefore, an increasing burden of necessary administrative work not measured by the number of new loans made each fiscal year.

As authorized by section 41 of the Bankhead-Jones Farm Tenant Act, the Secretary utilizes the officers, employees and equipment of the Farm Security Administration and the Office of the Solicitor in assisting him to carry out the provisions of title I of the Act. During the 1942 fiscal year the sum available for this purpose will provide for only a limited number of personnel for administrative services. Those persons who are employed solely for, and work exclusively on, the tenant purchase program are entirely financed from the administrative expense appropriation. After this personnel and their incidental expenses have been provided for, additional personnel performing work in connection with the tenant purchase program but not exclusive thereto are financed from this appropriation to such extent as the funds will permit. The amount heretofore appropriated for administrative expenses has not been sufficient to entirely finance the salaries and expenses of all personnel engaged part-time, as well as those engaged full-time, in connection with this program. Additional personnel services required for administering this program, over and above that which is to be financed from this appropriation, have been supplied, and are expected to be supplied during the fiscal year 1943, by the Office of the Solicitor and the Farm Security Administration, through officers and employees engaged primarily in administrating other F.S.A programs.

The total included in the estimate for 1943 covering administrative expenses, together with technical services and committees, is the same as the amount appropriated for 1942, exclusive of the unobligated balance of the 1941 appropriation made available for use in 1942.

During the fiscal year 1942, such expenses will be incurred in connection with the 20,748 loans approved prior to July 1,1941, and the 9,000 loans to be approved during the fiscal year 1942, or a total of 29,748 loans. During the fiscal year 1943, these expenses will be incurred in connection with approximately 29,748 loans which will have been approved by that date, and an additional 7,200 loans which it is estimated will be approved during the fiscal year 1943. Thus, the increasing burden of necessary administrative work results not so much from the number of new loans as from the cumulative total of loans made in prior years.

Repayments: The repayment of the majority of the loans made under this program is based upon a variable payment plan which is provided for in the enabling Act. This plan enables borrowers to make smaller payments in poor years and larger payments in good years, instead of paying a fixed amount each year regardless of circumstances. The variable payment provision has proved advantageous to borrowers in many instances. We are, however, emphasizing the necessity of paying ahead of schedule in good years in order that payment may be lightened in bad years.

Of the 20,748 loans, totaling $117,222,762, approved as of June 30, 1941, $87,878,258 had actually been advanced to 14,994 borrowers. The principal amount and matured interest which have become due total $3,041,619, of which $2,935,363, or 96.5% of the maturities, has been collected. In addition to this amount, $671,014 has been collected as extra payments, i.e., payments over and above that which have matured. Of the total amount collected, $1,744,942 has been payments on principal. There were 964 delinquent loans, with a total delinquency of $106,256, an average of approximately $110 each. It is estimated that not less than 98% of the principal amount of all loans made under this program will be collected, as well as interest at the rate of 3% per annum. An analysis of the maturities and collections as of June 30, 1941, is shown by states in Table No. 7 below.

The problem and its significance: For at least a decade it has been widely recognized that the American farmer had had no "Prosperous Twenties" -- that after the uncontrolled war boom of 1914-1918, the prices of agricultural products were on the decline. Not until 1935, however, was there general recognition that increasing rural poverty had led to an appalling degree of insecurity. The fact that vast numbers of farmers had lost their foothold on the land was brought into clear relief by the 1935 Census of Agriculture.

The Census figures showed that there had been a continuous and rapid increase in the number of farmers who did not own their own land. In 1880 only twenty-five per cent of all farmers were tenants. Fifty years later this figure had risen to forty-two per cent. Between 1930 and 1935 the number of tenants increased at the rate of more than forty thousand a year. Also great numbers of tenants were losing out and becoming wage workers and even those farmers who were able to find places as tenants were alarmingly unstable. The 1935 Census showed that one out of every three tenant families was moving to another farm each year. Moreover, instead of moving up from tenancy to ownership farmers were falling back from ownership into tenancy -- and even worse, from tenancy into the ranks of day laborers and hired hands.

According to the Agricultural Census of 1935, of the 6,312,350 farms in the United States, 2,865,155, or 42.1 per cent, were operated by tenants. In addition, there were 1,645,602 hired laborers working on farms. Therefore, the number of tenants and hired laborers was in excess of the number of farms being operated by tenants or available for operation by tenants.

This tendency toward landlessness showed an increased trend between 1935 and 1940. According to the Agricultural Census of 1940 there were 6,096,799 farms in the United States, of which 2,361,271, or 38.7% were operated by tenants. In addition, there were 1,753,441 hired laborers working on farms. This represents a decrease of 715,551 in the total number of farms since 1935. The percentage of tenancy by periods from 1880 to 1940 is shown by states in Table No.I on p___. A distribution by states of the number of farms and the status of their operators, as well as the number of hired laborers working on farms and the related percentages, taken from the Census of 1940, is shown in Table No.II on p131. Statistics from the Agricultural Census of 1940, showing by states the number, total, and average acreage, and average value of all farms, and of farms of 30 acres or more are contained in Table No.III on p133.

Agricultural mechanism, improved production practices, shifts in land uses, and natural hazards have been potent in reducing the number of farms and in changing the relative tenure status of farm people. These factors have caused many farmers to organize their farms in such a manner that tenants have been forced down the agricultural ladder as sharecroppers and wage laborers, resident or migrant; and other farm people can find neither farms to rent nor other agricultural employment. In this way, although the total number of tenant-operated farms has decreased to 38.7%, there has been no corresponding decline in the total number of persons dependent upon agriculture for a living. According to the best information available, changes of this type have been especially rapid in the past few years, as indicated in the following tabulation:

THE LANDED STATUS OF AMERICAN FARM PEOPLE, 1930 - 1940

Item	1940	1930	Per cent of Change from 193 to 1940
Rural farm population	30,151,000	30,158,000	-0.02
Adult male farm population	9,288,000	8,475,000	9.59
Landed farm people	3,736,000	3,624,000	3.07
Landless farm people	5,552,000	4,851,000	14.46
Tenants	2,361,000	2,664,000	-11.38
Farm nonoperators	3,191,000	2,187,000	45.94
Number of farms	6,097,000	6,289,000	- 3.05
Acres of land in farms	1,060,507,000	986,771,000	7.47
Average acres in farms	173.9	156.9	10.84
Number of adult male farm people per farm	1.52	1.34	13.43

Based on Timmons, John F: "Tenure Status of Farm People, 1940", Land Policy Review, August, 1941, p. 33.

The statistics from the Census of 1940 indicate that approximately three-fourths of the tenant farmers are renting their farms and operating them with livestock and equipment which they own themselves. The other tenants, 23 percent, are sharecroppers in Southern areas who own no land and seldom own livestock and equipment. Of the total number of tenants only 22 percent pay rent on a cash basis, and 12 percent pay combination share crop and cash rent, while 34 percent are share tenants paying a stipulated portion of the crop for the use of the land.

The Census on the size of farms in the United States in 1940, as compared with 1930, shows that there has been a startling decrease in the number of farms between 20 acres and 500 acres in size. These farms, varying in size by reason of location and type of crops grown, are commonly regarded as family-type farms because they yield an adequate living for an average rural family and require no more labor than that family can supply from its own sources, except for the need of an occasional hired hand at harvest time. Since 1930, big factory farms have swallowed up the acres of 360,000 little farms which have disappeared. Between 1930 and 1940 there have grown up in this country 3,998 new farms between 500 and 1,000 acres, 16,144 new farms between 1,000 and 5,000 acres, and 3,767 farms of 5,000 acres or more.

About one and a quarter million farms were transferred through foreclosure and bankruptcy sales during the ten years from 1930 through 1939. Many of these passed into the hands of banks, insurance companies, mortage companies, and similar credit agencies, and some were consolidated with other farms. Often the former owners stayed on the land as tenants or wage workers. Many thousands of others were forced to move; and when they could find no other farm on which to settle, they joined the army of migrant families searching for work as day laborers on large mechanized farms.

The President's Committee. In November 1936, after the 1935 Census had revealed the seriousness of the tenancy situation in the country, the President appointed a Special Committee on Farm Tenancy to study the problem and to make recommendations for a long-term program of action. The Committee published its report in February 1937. Shortly afterwards, Congress passed the Bankhead-Jones Farm Tenant Act; and in September, the Farm Security Administration was set up in the Department of Agriculture to administer, along with other programs, the aid-to-tenants provisions of the Act.

In its report, the President's Committee called public attention to a number of significant facts about farm tenancy in the United States, which may be summed up, briefly, as follows:

Low farm income. For most of the past fifty years, the income of farmers has been out of balance with that of other major groups in our national economy. The farm population is about one-fourth of the total population; but farm income is only one-tenth of the national income.

Farm income, in turn, is distributed in a way that tends to squeeze out the small farmer. In 1930, about 90 percent of the marketed farm products came from the land of 50 percent of the farmers. The other 50 percent of the farmers were getting only one-tenth of the total cash income from agriculture. (The 1940 Census shows, that approximately 2,900,000 farm families receive a gross annual income from the farm of less than $600.)

Farm loans. Farm loan terms have made it difficult for tenants without much money of their own to buy farms capable of producing a decent living. High interest rates and short periods of repayment have handicapped tenants who tried to buy land with borrowed money, because the annual payments often amounted to more than the income from the farm.

Land speculation. Unsound credit financing, coupled with over-valuation of farm lands, have played havoc with farm ownership. Land prices often have been speculative prices, not prices based on earning power. Consequently, in hard times thousands of farmers, whose lands were mortgaged for more than they were worth, fell behind in their payments and lost their property.

Mechanization also threatens the security of small farmers. Large-scale industrialized farms more and more use expensive, efficient machinery, such as tractors, mechanical potato diggers and harvesting combines. For instance, at the beginning of 1930, there were about 900,000 tractors on farms. By December 31, 1939, the number had jumped to 1,610,000, an increase of 78%.

No figures are available for the Nation as a whole to show how many families have been pushed off the land by the increasing use of labor-saving farm equipment, and the consolidation of small homesteads into large, commercialized farms, but there can be no question that the number is large. An indication, however, is seen in many specific instances. For example, when one planation began to use tractors and four-row cultivators, the management reduced the number of its tenant families from 40 to 24. Another plantation in the Mississippi Delta recently bought 22 tractors and 13 four-row cultivators, and turned off 130 of its 160 sharecropper families. Such cases are numerous and widespread.

In the changing pattern of agriculture, the pre-harvest operations are being handled more and more by mechanized equipment. This calls for day laborers during peak seasons and harvesting time only, rather than for small owner-operators or tenants permanently rooted on the land.

Drought. Droughts or floods are frequently a knockout blow to small farmers particularly. The droughts of 1934 and 1936 forced more than 25,000 farm families out of the Great Plains area alone during a two-year period. Most of them either tried to settle on abandoned farms elsewhere, or wandered out to the Pacific Coast to join the endless procession of migrant agricultural laborers who seek part-time work on the big fruit and vegetable farms in that area.

Population pressure. Too many people trying to make a living out of the available farm land has resulted in the sub-division of many farms into tracts that are too small to support a family. Competition among landless people for farms has become very keen as a result of recent tenure changes. Rent is frequently far above the amount which the sustained productive capacity of the land can support.

Millions of surplus rural workers, who ordinarily would have found jobs in the cities, were "dammed up" on the farms during the depression. By 1939, it was estimated that all of the Nation's domestic and foreign needs could be supplied by 1,500,000 fewer farm workers than in 1929. Yet in this period, the number of farm persons remained virtually stationary. At the same time the number of farms declined. There were 1.5 farm men per farm in 1940 as compared with 1.3 in 1930, a 13 percent rise in potential farm workers per farm.

Soil erosion. Worn-out soil and run-down property are natural results of our system of tenant farming. A tenant who realizes he may be on a rented farm for only one year cannot afford to build up the soil, repair buildings, and mend fences. His only interest frequently, is to mine the land as hard as he can -- to plant soil-wasting cash crops, and squeeze out every last penny of immediate, cash profits. Even when they want to farm better most tenants cannot do it, as less than a third of them stay on one farm long enough to carry out a simple five-year crop rotation. Consequently, our tenancy system has caused an appalling waste of the Nation's most important capital asset, its soil. More than 60 percent of America's crop land -- 250,000,000 acres -- has been damaged by erosion, and much of it has been entirely ruined. Three billion tons of fertile top soil still are washing away every year. This means a loss of about $400,000,000 annually.

Unsound leasing customs. It is a matter of common knowledge that most farm leases are nothing more than an oral agreement, and are recorded only in the memory of the tenant and his landlord. Such unbusinesslike arrangements often lead to disagreements, mutual distrust, and frequent shifting of tenants from one farm to another.

Costly moving. The frequent moving of tenant farmers contributes to the impoverishment of the families, of the farms, and of society. It is estimated that the loss to that third of the tenants who move each year is more than $50,000,000 -- and this expense falls directly on that group which can least afford to bear it.

Poor health. A poor tenure system leads to bad health. A farmer with poor leasing arrangements is likely to neglect not only the land, but also the house in which he lives, and the barn, and the well. Disrepair, lack of screening in the house, unsanitary toilet and water facilities all contribute to ill health.

One-crop cash farming also means that the family must buy food which otherwise could be grown on the farm. The result is frequently an inadequate diet, leading to nutritional disorders such as pellagra. All of this means more expense for medical care, lowered efficiency, and less resistance to disease.

In 1929, about 1,500,000 tenant families were living in houses valued at less than $475; and in the south, half of all farm owners were living in homes worth less than $560. In 1934, more than 25 percent of all American farm homes lacked window screens; more than a third were unpainted; and an additional 30 percent needed repairing. More than 70 percent of our farm homes lacked a kitchen sink with a drain and only one out of every ten had an indoor toilet. Of the 20,748 farms selected for tenant purchase loans during the four-year program, 97 percent required new dwellings, or repairs to dwellings located on these farms at the time of purchase in order to meet minimum health standards.

Lack of education and social life. Used to year-end moves, many tenant families take little part in the educational, religious, and social life of their communities. Children moving about from one place to another — often in the middle of the school year — do not attend classes regularly, and do not progress from year to year as they would do under normal circumstances. As a result, their interest lags and many fail even to get through grade school. The fact that our farm youth represents 31 percent of the country's future citizens emphasizes the importance of education for this group.

The President's Committee on Farm Tenancy recognized the social dangers of an uneconomic system of tenancy in these words:

> "Sturdy rural institutions beget self-reliance and independence of judgment. Sickly rural institutions beget dependency and incapacity to bear the responsibilities of citizenship. Over wide areas the vitality of American rural life is daily being sapped by systems of land tenure that waste human and natural resources alike. Security of tenure is essential to the development of better farm homes and better rural communities."

Employment conditions. More industrial opportunities, brought about by defense orders and generally improved business conditions, are attracting many persons from the landless group, and many of the young men of the farms are entering the armed forces. However, these conditions do not materially affect the situation outlined.

Table I - Farm Tenancy: Percentage by Census Years 1880 to 1940

State	1940	1935	1930	1920	1910	1900	1890	1880
Continental U. S.	38.7	42.1	42.4	38.1	37.0	35.3	28.4	25.6
Alabama	58.8	64.5	64.7	57.9	60.2	57.7	48.6	46.8
Arizona	11.6	17.8	16.4	18.1	9.3	8.4	7.9	13.2
Arkansas	53.3	60.0	63.0	51.3	50.0	45.4	32.1	30.9
California	19.1	21.7	18.0	21.4	20.6	23.1	17.8	19.8
Colorado	37.2	39.0	34.5	23.0	18.2	22.6	11.2	13.0
Connecticut	7.2	7.3	6.2	8.5	9.8	12.9	11.5	10.2
Delaware	32.6	34.8	33.8	39.3	41.9	50.3	46.9	42.4
District of Columbia	18.5	23.6	23.1	41.7	38.7	43.1	36.6	38.2
Florida	25.2	28.0	28.4	25.3	26.7	26.5	23.6	30.9
Georgia	60.1	65.6	68.2	66.6	65.6	59.9	53.5	44.9
Idaho	25.5	28.5	25.3	15.9	10.3	8.8	4.6	4.7
Illinois	43.1	44.5	43.1	42.7	41.4	39.3	34.0	31.4
Indiana	28.2	31.6	30.1	32.0	30.0	28.6	25.4	23.7
Iowa	47.6	49.6	47.3	41.7	37.8	34.9	28.1	23.8
Kansas	44.9	44.0	42.4	40.4	36.8	35.2	28.2	16.3
Kentucky	33.1	37.1	35.9	33.4	33.9	32.8	25.0	26.5
Louisiana	59.4	63.7	66.6	57.1	55.3	58.0	44.4	35.2
Maine	6.5	6.9	4.5	4.2	4.3	4.7	5.4	4.3
Maryland	26.1	27.2	26.5	28.9	29.5	33.6	31.0	30.9
Massachusetts	7.1	6.2	5.6	7.1	8.1	9.6	9.3	8.2
Michigan	17.0	19.0	15.5	17.7	15.8	15.8	14.0	10.0
Minnesota	32.3	33.7	31.1	24.7	21.0	17.3	12.9	9.1
Mississippi	66.2	69.8	72.2	66.1	66.1	62.4	52.8	43.8
Missouri	35.6	38.8	34.8	28.8	29.9	30.5	26.8	27.3
Montana	27.8	27.7	24.5	11.3	8.9	9.2	4.8	5.3
Nebraska	52.8	49.3	47.1	42.9	38.1	36.9	24.7	18.0
Nevada	14.4	14.4	12.9	9.4	12.4	11.4	7.5	9.7
New Hampshire	6.4	7.3	5.3	6.7	6.9	7.5	8.0	8.1
New Jersey	15.6	17.8	15.6	23.0	24.8	29.9	27.2	24.6
New Mexico	17.0	19.0	20.2	12.2	5.5	9.4	4.5	8.1
New York	12.8	14.2	13.2	19.2	20.8	23.9	20.2	16.5
North Carolina	44.4	47.2	49.2	43.5	42.3	41.4	34.1	33.5
North Dakota	45.1	39.1	35.1	25.6	14.3	8.5	6.9	2.1
Ohio	26.3	28.9	26.3	29.5	28.4	27.4	22.9	19.3
Oklahoma	54.4	61.2	61.5	51.0	54.8	43.8	0.7	-
Oregon	18.2	21.7	17.8	18.8	15.1	17.8	12.6	14.1
Pennsylvania	16.0	17.7	15.9	21.9	23.3	26.0	23.3	21.2
Rhode Island	10.3	13.8	12.5	15.5	18.0	20.2	18.7	19.9
South Carolina	56.1	62.2	65.1	64.5	63.0	61.1	55.3	50.3
South Dakota	53.0	48.6	44.6	34.9	24.8	21.8	13.2	4.4
Tennessee	40.3	46.2	46.2	41.1	41.1	40.6	30.8	34.5
Texas	48.9	57.1	60.9	53.3	52.6	49.7	41.9	37.6
Utah	13.3	14.9	12.2	10.9	7.9	8.8	5.2	4.6
Vermont	9.9	10.9	9.7	11.6	12.3	14.6	14.6	13.4
Virginia	26.9	29.5	28.1	25.6	26.5	30.7	26.9	29.5
Washington	17.7	20.0	17.0	18.7	13.7	14.4	8.5	7.2
West Virginia	22.7	25.8	18.6	16.2	20.5	21.8	17.7	19.1
Wisconsin	23.0	20.7	18.2	14.4	13.9	13.5	11.4	9.1
Wyoming	24.2	23.3	22.0	12.5	8.2	7.6	4.2	2.8

Source: U. S. Census of Agriculture.

Table II. - Number of Farms by Tenure of Operator

State (1)	Number of Farms (2)	Number of Farms Operated By Full Owners, Part Owners, and Managers (3)	Number of Farms Operated by Tenants (4)	Number of Tenants Working on Farms: Other Than Croppers (5)	Number of Tenants Working on Farms: Croppers (6)	Number of Tenants Working on Farms: All Tenants (7)	Number of Hired Laborers working on Farms last week of March 1940 (8)	Percentage of Tenant Operated Farms (9)	Excess Number of Tenants and Hired Laborers to Number of Farms Being Operated by Tenants (10)	Number of Tenants and Farm Laborers per Hundred Farms Operated by Tenants (11)
U. S. TOTAL	6,096,799	3,735,528	2,361,271	A/	A/	2,361,271	1,753,441	38.7	1,753,441	174.3
Alabama	231,746	95,522	136,224	94,854	41,370	136,224	59,574	58.8	59,574	143.7
Arizona	18,468	16,328	2,140			2,140	12,420	11.6	12,420	680.4
Arkansas	216,674	101,232	115,442	67,776	47,666	115,442	54,894	53.3	54,894	147.6
California	132,658	107,259	25,399			25,399	105,680	19.1	105,680	516.1
Colorado	51,436	32,298	19,138			19,138	18,100	37.2	18,100	194.6
Connecticut	21,163	19,645	1,518			1,518	11,144	7.2	11,144	834.1
Delaware	8,994	6,065	2,929	2,704	225	2,929	4,372	32.6	4,372	249.3
Dist. of Columbia	65	53	12			12	189	18.5	189	1,675.0
Florida	62,248	46,580	15,668	12,261	3,407	15,668	70,599	25.2	70,599	550.6
Georgia	216,033	86,183	129,850	68,916	60,934	129,850	98,154	60.1	98,154	175.6
Idaho	43,663	32,510	11,153			11,153	12,147	25.5	12,147	208.9
Illinois	213,439	121,457	91,982			91,982	62,405	43.1	62,405	167.8
Indiana	184,549	132,339	52,210			52,210	35,217	28.3	35,217	167.5
Iowa	213,318	111,834	101,484			101,484	55,851	47.6	55,851	155.0
Kansas	156,327	86,105	70,222			70,222	25,601	44.9	25,601	136.5
Kentucky	252,894	169,070	83,824	60,291	23,533	83,824	41,551	33.1	41,551	149.6
Louisiana	150,007	60,840	89,167	49,536	39,631	89,167	56,712	59.4	56,712	163.6
Maine	38,980	36,461	2,519			2,519	9,110	6.5	9,110	461.7
Maryland	42,110	31,116	10,994	9,350	1,644	10,994	26,173	26.1	26,173	338.1
Massachusetts	31,897	29,632	2,265			2,265	17,798	7.1	17,798	885.8
Michigan	187,589	155,789	31,800			31,800	36,761	17.0	36,761	215.6
Minnesota	197,351	133,534	63,817			63,817	40,431	32.3	40,431	163.4
Mississippi	291,092	98,273	192,819	67,336	125,483	192,819	51,327	66.2	51,327	126.6

Table II. - Number of Farms by Tenure of Operator - Continued.

State	Number of Farms	Number of Farms Operated By Full Owners, Part Owners and Managers	Number of Farms Operated by Tenants	Number of Tenants Working on Farms: Other Than Croppers	Number of Tenants Working on Farms: Croppers	Number of Tenants Working on Farms: All Tenants	Number of Hired Laborers Working on Farms Last Week of March 1940	Per-Centage of Tenant Operated Farms	Excess Number of Tenants and Hired Laborers to Number of Farms Being Operated by Tenants	Number of Tenants and Farm Laborers per Hundred Farms Operated by Tenants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Missouri	256,100	164,945	91,155			91,155	45,523	35.6	45,523	149.9
Montana	41,823	30,181	11,642			11,642	13,405	27.8	13,405	215.1
Nebraska	121,062	57,115	63,947			63,947	20,431	52.8	20,431	131.9
Nevada	3,573	3,057	516			516	3,759	14.4	3,759	828.5
New Hampshire	16,554	15,500	1,054			1,054	5,051	6.4	5,051	579.2
New Jersey	25,835	21,800	4,035			4,035	21,101	15.6	21,101	622.9
New Mexico	34,105	28,294	5,811			5,811	11,504	17.0	11,504	298.0
New York	153,238	133,694	19,544			19,544	64,036	12.8	64,036	427.7
North Carolina	278,276	154,800	123,476	63,176	60,300	123,476	58,444	44.4	58,444	147.3
North Dakota	73,962	40,585	33,377			33,377	14,342	45.1	14,342	143.0
Ohio	233,783	172,361	161,422			61,422	45,623	26.3	45,623	174.3
Oklahoma	179,687	81,866	97,821	92,869	4,952	97,821	27,354	54.4	27,354	128.0
Oregon	61,829	50,552	11,277			11,277	18,985	18.2	18,985	268.4
Pennsylvania	169,027	141,931	27,096			27,096	51,985	16.0	51,985	291.9
Rhode Island	3,014	2,705	309			309	2,429	10.3	2,429	886.1
South Carolina	137,558	60,374	77,184	43,710	33,474	77,184	70,553	56.1	70,553	191.4
South Dakota	72,454	34,056	38,398			38,398	11,287	53.0	11,287	129.4
Tennessee	247,617	147,882	99,735	58,245	41,490	99,735	45,375	40.3	45,375	145.5
Texas	418,002	213,540	204,462	164,641	39,821	204,462	146,415	48.9	146,415	171.6
Utah	25,411	22,035	3,376			3,376	5,794	13.3	5,794	271.6
Vermont	23,582	21,238	2,344			2,344	10,237	9.9	10,237	536.7
Virginia	174,885	127,778	47,107	30,869	16,238	47,107	58,049	26.9	58,049	223.2
Washington	81,686	67,224	14,462			14,462	23,949	17.7	23,949	265.6
West Virginia	99,282	76,703	22,579	21,456	1,123	22,579	14,828	22.7	14,828	165.7
Wisconsin	186,735	143,807	42,928			42,928	47,829	23.0	47,829	211.4
Wyoming	15,018	11,380	3,638			3,638	8,943	24.2	8,943	345.8

A/ Breakdown of number of tenants not available for other than the 16 Southern States. Source: U. S. Census of 1940.

Table III. - Number, total and average area, and average value of all farms and of farms of 30 acres or more

State	ALL FARMS				FARMS OF 30 ACRES OR MORE				
	No. of Farms	Land area in farms (acres)	Average area per farm (acres)	Average value per farm	No. of farms	Land area in farms (acres)	Average area per farm (acres)	Average value per farm 1935 A/	Average value per farm 1940
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
U. S. TOTAL B/	6,096,734	1,060,850,033	174.0	$ 5,518	4,577,412	1,040,071,746	227	$ 6,414	$ 6,653
Alabama	231,746	19,143,391	82.6	1,764	166,047	18,035,323	109	1,925	2,171
Arizona	18,468	25,651,092	1,388.9	8,321	12,717	25,591,434	201	13,702	10,754
Arkansas	216,674	18,044,542	83.3	2,108	146,432	17,056,821	116	2,179	2,701
California	132,658	30,524,324	230.1	16,331	63,286	29,762,357	470	31,798	26,545
Colorado	51,436	31,527,240	612.9	7,550	42,702	31,433,679	736	7,834	8,365
Connecticut	21,163	1,512,151	71.5	9,675	12,541	1,407,068	112	15,194	11,942
Delaware	8,994	895,507	99.6	6,104	6,901	867,893	126	6,310	6,929
Florida	62,248	8,337,708	133.9	5,211	35,674	8,014,488	225	8,099	7,028
Georgia	216,033	23,683,631	109.6	2,223	177,827	23,024,265	129	2,080	2,479
Idaho	43,663	10,297,745	235.8	7,768	35,339	10,207,272	289	8,185	8,967
Illinois	213,439	31,032,572	145.4	11,887	183,530	30,673,716	167	11,023	13,300
Indiana	184,549	19,800,778	107.3	6,781	148,009	19,356,507	131	6,266	7,829
Iowa	213,318	34,148,673	160.1	12,614	192,942	33,931,048	176	12,300	13,627
Kansas	156,327	48,173,635	308.2	9,092	141,186	48,009,841	340	9,449	9,821
Kentucky	252,894	20,294,016	80.2	3,070	171,579	19,238,779	112	3,234	4,027
Louisiana	150,007	9,996,108	66.6	2,359	74,510	8,751,810	117	3,199	3,756
Maine	38,980	4,223,297	108.3	3,183	31,677	4,130,048	130	3,968	3,478
Maryland	42,110	4,197,827	99.7	6,506	29,541	4,042,577	137	7,370	7,882
Massachusetts	31,897	1,937,963	60.8	6,647	15,464	1,760,228	114	13,066	8,901
Michigan	187,589	18,037,995	96.2	4,865	155,963	17,650,856	113	4,888	5,258
Minnesota	197,351	32,606,862	165.2	7,312	182,136	32,429,825	178	7,363	7,680
Mississippi	291,092	19,156,058	65.8	1,632	146,672	16,805,912	115	2,213	2,447
Missouri	256,100	34,739,598	135.6	4,324	218,668	34,273,359	157	4,600	4,726
Montana	41,833	46,451,594	1,110.7	8,373	38,813	46,419,519	1,196	7,918	8,792
Nebraska	121,062	47,343,981	391.1	9,399	112,879	47,259,597	419	12,626	9,893
Nevada	3,573	3,785,106	1,059.4	13,321	2,837	3,776,421	1,331	13,949	15,901
New Hampshire	16,554	1,809,314	109.3	3,758	12,251	1,755,000	143	4,753	4,233
New Jersey	25,835	1,874,402	72.6	8,818	14,286	1,744,240	122	13,291	11,486
New Mexico	34,105	38,860,427	1,139.4	5,498	22,728	38,730,715	1,704	6,550	7,486

Table III. - Number, total and average area, and average value of all farms and of farms of 30 acres or more - Continued.

State	ALL FARMS				FARMS OF 30 ACRES OR MORE				
	No. of Farms	Land area in farms (acres)	Average area per farm (acres)	Average value per farm	No. of farms	Land area in farms (acres)	Average area per farm (acres)	Average value per farm 1935 A/	Average value per farm 1940
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
New York	153,238	17,170,337	112.1	6,180	121,976	16,780,565	138	7,385	6,601
North Carolina	273,276	18,845,338	67.7	2,647	179,832	17,321,005	96	3,003	3,393
North Dakota	73,962	37,936,136	512.9	6,628	72,467	37,919,389	523	8,594	6,728
Ohio	233,783	21,907,523	93.7	6,176	181,409	21,271,208	117	6,314	7,023
Oklahoma	179,687	34,803,317	193.7	4,625	157,242	34,530,723	220	4,145	5,092
Oregon	61,829	17,988,307	290.9	7,712	39,563	17,733,973	448	10,392	10,258
Pennsylvania	169,027	14,594,134	86.3	5,113	127,265	14,055,993	110	5,815	5,738
Rhode Island	3,014	221,913	73.6	8,737	1,800	208,170	116	13,317	10,359
South Carolina	137,558	11,238,697	81.7	2,461	87,276	10,416,629	119	2,629	3,305
South Dakota	72,454	39,473,584	544.8	6,976	69,965	39,447,397	564	8,630	7,148
Tennessee	247,617	18,492,898	74.7	2,683	159,979	17,239,757	108	2,985	3,534
Texas	418,002	137,683,372	329.4	6,196	335,523	136,563,565	407	6,382	7,347
Utah	25,411	7,302,007	287.4	6,074	17,246	7,202,136	418	7,962	7,309
Vermont	23,582	3,666,835	155.5	4,712	19,783	3,621,585	183	5,122	5,140
Virginia	174,885	16,444,907	94.0	3,860	114,700	15,644,870	136	4,449	5,070
Washington	81,686	15,181,815	185.9	7,264	41,771	14,731,706	353	12,116	11,112
West Virginia	99,282	8,908,803	89.7	2,718	68,327	8,522,660	125	3,093	3,319
Wisconsin	186,735	22,876,494	122.5	6,365	172,188	22,703,683	132	6,791	6,597
Wyoming	15,018	28,025,979	1,866.2	10,585	13,963	28,016,134	2,006	10,026	11,188

A/ - Computed from Census of Agriculture: 1935 Data - Product of acerage in farms thirty acres and over and average value per acre divided by number of farms thirty acres and over.

B/ - Excluding the District of Columbia.
Source: U. S. Census of Agriculture, 1940, except as noted.

Table IV. - Farm Tenancy: Method of Determining the Percentage Distribution for Allocating Loan Funds, by States

State and Territory (1)	Farm population 1940 a/ (2)	Percentage of tenancy 1940 b/ (3)	Allocation factor: Farm population multiplied by percentage of tenancy 1940 c/ (4)	Percentage distribution of funds d/ (5)
U. S. TOTAL	31,678.456	38.591	12,325,186	100.00000
Alabama	1,344,349	58.782	790,235	6.41155
Arizona	115,349	11.588	13,367	0.10845
Arkansas	1,113,662	53.279	593,348	4.81411
California	670,516	19.146	128,377	1.04158
Colorado	252,958	37.207	94,118	0.76362
Connecticut	103,913	7.173	7,454	0.06048
Delaware	45,724	32.566	14,890	0.12081
Dist. of Columbia	380	18.462	70	0.00057
Florida	308,369	25.170	77,616	0.62974
Georgia	1,369,719	60.107	823,297	6.67979
Idaho	203,616	25.543	52,010	0.42198
Illinois	976,964	43.095	421,023	3.41596
Indiana	818,220	28.291	231,483	1.87813
Iowa	930,821	47.574	442,829	3.59288
Kansas	606,099	44.920	272,260	2.20897
Kentucky	1,262,943	33.146	418,615	3.39642
Louisiana	857,475	59.442	509,700	4.13543
Maine	177,106	6.462	11,445	0.09286
Maryland	244,900	26.107	63,936	0.51874
Massachusetts	140,362	7.101	9,967	0.08087
Michigan	872,775	16.952	147,953	1.20041
Minnesota	915,230	32.337	295,958	2.40125
Mississippi	1,405,749	66.240	931,168	7.55500
Missouri	1,126,871	35.594	401,098	3.25430
Montana	175,271	27.836	48,788	0.39584
Nebraska	498,756	52.822	263,453	2.13752
Nevada	15,852	14.442	2,289	0.01857
New Hampshire	71,266	6.367	4,538	0.03682

Table IV. - Farm Tenancy: Method of Determining the Percentage Distribution - Continued.
for Allocating Loan Funds, by States

State and Territory (1)	Farm population 1940 a/ (2)	Percentage of tenancy 1940 b/ (3)	Allocation factor: Farm population multiplied by percentage of tenancy 1940 c/ (4)	Percentage distribution of funds d/ (5)
New Jersey	146,459	15.618	22,874	0.18559
New Mexico	178,682	17.039	30,446	0.24702
New York	703,606	12.754	89,738	0.72809
North Carolina	1,654,123	44.372	733,967	5.95502
North Dakota	327,871	45.127	147,958	1.20045
Ohio	1,083,619	26.273	284,699	2.30990
Oklahoma	935,241	54.440	509,145	4.13093
Oregon	259,638	18.239	47,355	0.38421
Pennsylvania	912,232	16.031	146,240	1.18651
Rhode Island	16,241	10.252	1,665	0.01351
South Carolina	915,597	56.110	513,741	4.16822
South Dakota	307,762	52.996	163,102	1.32332
Tennessee	1,276,437	40.278	514,123	4.17132
Texas	2,165,611	48.914	1,059,287	8.59449
Utah	104,459	13.286	13,878	0.11260
Vermont	107,066	9.940	10,642	0.08634
Virginia	926,280	26.936	249,503	2.02434
Washington	339,950	17.704	60,185	0.48831
West Virginia	532,512	22.742	121,104	0.98257
Wisconsin	883,882	22.989	203,196	1.64862
Wyoming	72,723	24.224	17,616	0.14293
Alaska	e/2,250	20.064	451	0.00366
Hawaii	e/130,000	70.667	91,867	0.74536
Puerto Rico	e/1,071,000	e/20.646	221,119	1.79404

a/Based on five-percent sample; Census of Agriculture, 1940.

b/ Number of tenant-operated farms divided by number of all farms for each State; Census of Agriculture, 1940.

c/ Total factor is sum of State factors.

d/ State factor divided by Column 4, total factor.

e/ Estimated on basis of 1940 Census Data by Bureau of the Census.

Table V. - Number of counties in which the farm tenancy program is operative, by fiscal years

State and terribory (1)	No. of counties, parishes, or Ind, cities (2)	No. of agri-cultural counties or parishes (3)	Number of Counties in which Farm Tenancy Program Operates 1938 (4)	1939 (5)	1940 (6)	1941 (7)	1942 & Est. for 1943 (8)
U. S. TOTAL	3,102	a/ 3,063	332	732	1,291	1,643	1,816
Alabama	67	67	25	57	57	58	58
Arizona	14	14	1	1	2	2	2
Arkansas	75	75	21	49	70	71	71
California	58	57	2	4	7	10	11
Colorado	63	62	3	5	9	15	18
Connecticut	8	8	1	1	4	4	6
Delaware	3	3	1	2	2	3	3
Florida	67	67	3	6	13	20	20
Georgia	159	159	35	75	99	129	130
Idaho	44	44	1	3	6	9	9
Illinois	102	102	6	11	25	42	61
Indiana	92	92	4	10	19	26	36
Iowa	99	99	6	11	31	51	75
Kansas	105	105	6	11	21	30	35
Kentucky	120	120	11	21	51	87	87
Louisiana	64	63	15	32	62	62	62
Maine	16	16	1	2	3	4	7
Maryland	24	23	1	4	8	12	15
Massachusetts	14	13	1	1	2	4	6
Michigan	83	83	3	6	14	23	27
Minnesota	87	87	5	11	21	27	30
Mississippi	82	82	28	65	82	82	82
Missouri	115	114	8	19	38	58	78
Montana	56	56	1	2	4	6	8
Nebraska	93	93	5	9	16	24	29
Nevada	17	17	1	1	1	2	2
New Hampshire	10	10	1	1	2	3	5
New Jersey	21	19	4	5	5	7	8

Table V. - Number of counties in which the farm tenancy program is operative, by fiscal years - Continued.

State and Territory (1)	No. of counties, parishes, or Ind. cities (2)	No. of Agri-cultural counties or parishes (3)	Number of Counties in which Farm Tenancy Program Operates				
			1938 (4)	1939 (5)	1940 (6)	1941 (7)	1942 & Est. for 1943 (8)
New Mexico	31	31	1	2	3	5	5
New York	62	57	2	6	10	15	20
North Carolina	100	100	17	50	100	100	100
North Dakota	53	53	3	6	11	17	21
Ohio	88	88	5	12	26	41	57
Oklahoma	77	77	12	29	66	76	76
Oregon	36	36	1	3	7	10	10
Pennsylvania	67	66	9	13	21	32	40
Rhode Island	5	5	1	1	1	2	2
South Carolina	46	46	16	37	46	46	46
South Dakota	69	69	3	6	11	18	22
Tennessee	95	95	15	31	95	95	95
Texas	254	254	26	63	118	172	186
Utah	29	29	1	2	4	4	4
Vermont	14	14	1	1	2	4	6
Virginia	124	100	8	24	49	63	67
Washington	39	39	1	3	8	10	10
West Virginia	55	55	4	7	16	31	31
Wisconsin	71	71	4	7	17	23	28
Wyoming	24	23	1	1	2	3	4
Hawaii	4	4	1	2	3	4	4
Puerto Rico	1	1	0	1	1	1	1

a/ - Excluding 26 independent cities, D. C., Yellowstone National Park, and 12 Urban counties or parishes.

Table: VI Farm Tenancy: Number of Applications Received and Number of Borrowers by Fiscal Years
June 30, 1941

State and Territory (1)	Fiscal year 1938		Fiscal year 1939		Fiscal year 1940		Fiscal year 1941		Total	
	Number of loan applications received (2)	Number of borrowers (3)	Number of loan applications received (4)	Number of borrowers (5)	Number of loan applications received (6)	Number of borrowers (7)	Number of loan applications received (8)	Number of borrowers (9)	Number of loan applications received (10)	Number of borrowers (11)
U. S. TOTAL	38,060	1,826	109,912	4,190	138,131	6,037	146,966	8,695	433,069	20,748
Alabama	5,048	175	18,621	345	13,652	570	14,906	837	52,227	1,927
Arizona	45	2	91	4	73	6	136	6	345	18
Arkansas	2,156	120	12,565	291	9,086	402	7,319	586	31,126	1,399
California	112	11	550	28	770	44	755	49	2,187	132
Colorado	306	13	369	26	627	27	837	35	2,139	101
Connecticut	30	1	15	3	37	3	57	2	139	9
Delaware	45	3	92	7	126	8	109	10	372	28
Florida	269	15	636	36	1,686	57	3,303	81	5,894	189
Georgia	4,536	177	12,766	375	13,380	635	15,422	910	46,104	2,097
Idaho	129	5	481	10	272	16	207	21	1,089	52
Illinois	748	34	1,913	81	2,523	115	3,171	158	8,355	388
Indiana	245	23	663	49	1,346	76	1,663	109	3,917	257
Iowa	579	36	946	84	3,289	152	4,011	197	8,825	469
Kansas	390	24	645	59	1,453	93	1,405	128	3,893	304
Kentucky	815	50	2,381	102	3,377	102	4,243	177	10,816	431
Louisiana	1,248	64	3,359	164	5,388	302	4,878	385	14,873	915
Maine	31	4	340	6	457	8	241	9	1,069	27
Maryland	29	6	116	21	274	29	441	34	860	90
Massachusetts	20	1	19	3	60	2	119	6	218	12
Michigan	156	17	239	40	435	47	793	80	1,623	184
Minnesota	510	29	783	65	1,431	102	1,788	131	4,512	327
Mississippi	2,439	175	9,547	405	9,374	555	7,976	730	29,336	1,865
Missouri	1,298	59	3,270	126	6,420	181	6,018	291	17,006	657
Montana	105	4	117	9	262	14	214	19	698	46
Nebraska	320	24	773	51	1,119	73	1,172	104	3,384	252
Nevada	15	1	31	1	14	1	14	1	74	4
New Hampshire	8	1	38	2	39	1	86	3	171	7

Table: VI Farm Tenancy: Number of Applications Received and Number of Borrowers by Fiscal Years June 30, 1941 - Continued

State and Territory (1)	Fiscal year 1938		Fiscal year 1939		Fiscal year 1940		Fiscal year 1941		Total	
	Number of loan applications received (2)	Number of borrowers (3)	Number of loan applications received (4)	Number of borrowers (5)	Number of loan applications received (6)	Number of borrowers (7)	Number of loan applications received (8)	Number of borrowers (9)	Number of loan applications received (10)	Number of borrowers (11)
New Jersey	72	2	93	13	130	8	158	11	453	34
New Mexico	220	5	174	7	151	10	365	14	910	36
New York	634	13	609	36	855	55	1,119	68	3,217	172
North Carolina	1,057	96	5,964	270	8,725	325	8,301	630	24,047	1,321
North Dakota	199	15	549	39	808	58	960	80	2,516	192
Ohio	348	30	872	72	1,659	102	2,577	144	5,456	348
Oklahoma	1,051	81	3,546	182	9,318	241	7,993	378	21,908	882
Oregon	65	6	129	9	366	17	321	21	881	53
Pennsylvania	483	22	923	75	825	66	1,911	109	4,142	272
Rhode Island	5	0	12	1	21	1	5	1	43	3
South Carolina	2,550	119	7,434	230	3,993	369	5,181	511	19,158	1,229
South Dakota	121	19	411	33	574	61	1,042	83	2,148	196
Tennessee	1,604	83	6,310	178	9,771	211	10,216	322	27,901	794
Texas	3,212	159	7,653	376	16,473	510	17,816	604	45,154	1,649
Utah	133	2	120	8	235	8	261	8	749	26
Vermont	14	1	20	3	59	6	263	10	356	20
Virginia	451	43	2,116	104	2,855	109	2,762	182	8,184	438
Washington	272	7	456	17	946	22	601	27	2,275	73
West Virginia	240	19	490	29	788	45	1,282	83	2,800	176
Wisconsin	290	18	457	42	764	66	804	99	2,315	225
Wyoming	152	5	3	3	83	6	149	6	387	20
Hawaii	55	7	205	38	295	55	195	72	750	172
Puerto Rico	3,200	0	a/0	32	1,467	65	1,400	133	6,067	230

a/ - No new applications taken in this fiscal year; loans made to borrowers who submitted applications during 1938 fiscal year.

Table VII. - Farm Tenancy: Distribution of Loans, by States

State and Territory (1)	Fiscal Years 1938-39-40 Number of borrowers (2)	Fiscal Years 1938-39-40 Amount of loans approved (3)	Fiscal Years 1938-39-40 Average per borrower (4)	Fiscal Year 1941 Number of new borrowers (5)	Fiscal Year 1941 Amount of loans approved A/ (6)	Fiscal Year 1941 Average per borrower (7)	Fiscal Years 1938-39-40-41 Number of borrowers (8)	Fiscal Years 1938-39-40-41 Amount of loans approved (9)	Fiscal Years 1938-39-40-41 Average per borrower (10)
U. S. TOTAL	12,053	$69,056,651.42	$5,736	8,695	$48,166,110.93	$5,531	20,748	$117,222,762.35	$5,650
Alabama	1,090	4,504,948.75	4,133	837	3,221,119.95	3,848	1,927	7,726,068.70	4,009
Arizona	12	86,488.00	7,207	6	60,049.00	10,008	18	146,537.00	8,141
Arkansas	813	3,637,192.49	4,475	586	2,556,498.20	4,361	1,399	6,193,690.69	4,427
California	83	685,394.20	8,280	49	476,559.00	9,689	132	1,161,953.20	8,803
Colorado	66	620,145.05	9,440	35	381,324.00	10,812	101	1,001,469.05	9,916
Connecticut	7	49,537.00	7,077	2	18,535.00	9,268	9	68,072.00	7,564
Delaware	18	87,536.00	4,863	10	61,007.00	6,101	28	148,543.00	5,305
Florida	108	442,191.00	4,097	81	321,907.00	3,970	189	764,098.00	4,043
Georgia	1,187	4,695,708.89	3,956	910	3,329,629.28	3,658	2,097	8,025,338.17	3,827
Idaho	31	298,256.00	9,621	21	204,738.00	9,749	52	502,994.00	9,673
Illinois	230	2,365,905.23	10,295	158	1,630,702.00	10,308	388	3,996,607.23	10,301
Indiana	148	1,399,456.75	9,456	109	969,751.50	8,897	257	2,369,208.25	9,219
Iowa	272	2,512,709.00	9,238	197	1,733,357.00	8,799	469	4,246,066.00	9,053
Kansas	176	1,539,362.20	8,746	128	1,117,432.10	8,730	304	2,656,794.30	8,739
Kentucky	254	2,010,297.55	7,918	177	1,197,141.50	6,759	431	3,207,439.05	7,442
Louisiana	530	2,746,465.81	5,182	385	1,970,757.32	5,119	915	4,717,223.13	5,155
Maine	18	66,363.33	3,716	9	45,569.00	5,004	27	111,932.33	4,146
Maryland	56	340,966.40	6,166	34	230,990.00	6,666	90	571,956.40	6,355
Massachusetts	6	31,211.28	5,202	6	34,096.00	5,683	12	65,307.28	5,442
Michigan	104	837,712.00	8,055	80	576,012.00	7,200	184	1,413,724.00	7,683
Minnesota	196	1,642,194.19	8,379	131	1,125,965.00	8,595	327	2,768,159.19	8,465
Mississippi	1,135	4,612,716.35	4,097	730	3,353,591.58	4,542	1,865	7,966,307.93	4,271
Missouri	366	2,416,183.35	6,608	291	1,650,797.00	5,665	657	4,066,980.35	6,190
Montana	27	271,343.00	10,050	19	180,655.00	9,508	46	451,998.00	9,826
Nebraska	148	1,453,955.24	9,839	104	1,032,116.12	9,903	252	2,486,071.36	9,865
Nevada	3	27,050.00	9,017	1	8,000.00	8,000	4	35,050.00	8,762
New Hampshire	4	23,664.52	6,035	3	17,974.00	5,833	7	41,638.52	5,948
New Jersey	23	183,937.47	7,997	11	92,740.00	8,431	34	276,677.47	8,138
New Mexico	22	188,781.95	8,581	14	130,069.00	9,291	36	318,850.95	8,857
New York	104	559,401.99	5,381	68	387,408.00	5,693	172	946,809.99	5,505

Table VII. - Farm Tenancy: Distribution of Loans, by States - Continued.

State and Territory (1)	Fiscal Years 1938-39-40 Number of borrowers (2)	Amount of loans approved (3)	Average per borrower (4)	Fiscal Year 1941 Number of new borrowers (5)	Amount of loans approved A/ (6)	Average per borrower (7)	Fiscal Years 1938-39-40-41 Number of borrowers (8)	Amount of loans approved (9)	Average per borrower (10)
North Carolina	691	3,337,413.66	4,833	630	2,679,490.50	4,249	1,321	6,016,904.16	4,555
North Dakota	112	743,006.10	6,653	80	542,164.50	6,750	192	1,285,170.60	6,694
Ohio	204	1,699,588.51	8,345	144	1,144,761.00	7,931	348	2,844,349.51	8,173
Oklahoma	504	3,239,070.68	6,427	378	2,242,329.70	5,932	882	5,481,400.38	6,215
Oregon	32	282,100.27	8,857	21	188,426.00	8,910	53	470,526.27	8,878
Pennsylvania	163	1,036,869.77	6,381	109	622,503.80	5,681	272	1,659,373.57	6,101
Rhode Island	2	8,883.00	4,441	1	5,850.00	5,850	3	14,733.00	4,911
South Carolina	718	3,011,182.67	4,195	511	2,126,716.16	4,160	1,229	5,137,898.83	4,181
South Dakota	113	859,351.05	7,605	83	621,385.55	7,487	196	1,480,736.60	7,555
Tennessee	472	2,879,907.26	6,101	322	1,554,991.37	4,829	794	4,434,898.63	5,586
Texas	1,045	6,958,935.22	6,661	604	4,803,330.60	7,949	1,649	11,762,265.82	7,133
Utah	18	133,134.00	7,396	8	70,190.00	8,774	26	203,324.00	7,820
Vermont	10	69,202.00	6,907	10	46,846.00	4,607	20	116,048.00	5,802
Virginia	256	1,452,721.10	5,687	182	920,077.25	5,038	438	2,372,798.35	5,417
Washington	46	350,137.89	7,636	27	240,429.00	8,864	73	590,566.89	8,090
West Virginia	93	573,283.25	6,164	83	353,362.00	4,257	176	926,645.25	5,265
Wisconsin	126	990,745.00	7,865	99	692,500.95	6,993	225	1,683,245.95	7,481
Wyoming	14	117,775.00	8,412	6	62,674.00	10,446	20	180,449.00	9,022
Hawaii	100	499,410.00	4,994	72	423,436.00	5,881	172	922,846.00	5,365
Puerto Rico	97	476,860.00	4,916	133	708,156.00	5,324	230	1,185,016.00	5,152

A/ - Includes supplemental loans to prior year borrowers.

Table VIII. - Farm Tenancy: Average Value of Farms of 30 Acres or More; Number of Borrowers, Average Loan, and Number of Loans Approved by Size of Loan as of June 30, 1941

State and Territory (1)	Farms of 30 acres or more average value per farm 1940 (2)	Number of borrowers inception through 6/30/41 (3)	Average amount of loan per borrower (4)	Number of loans approved by size of loan: 0 to $1,999 (5)	$2,000 to $2,499 (6)	$2,500 to $2,999 (7)	$3,000 to $3,999 (8)	$4,000 to $4,999 (9)	$5,000 to $5,999 (10)	$6,000 to $6,999 (11)	$7,000 to $7,999 (12)	$8,000 to $8,999 (13)	$9,000 to $9,999 (14)	$10,000 to $10,999 (15)	$11,000 to $11,999 (16)	$12,000 and over (17)
U. S. TOTAL	$ 6,653	20,748	$ 5,650	106	336	875	4,472	4,885	3,107	1,870	1,364	1,139	885	706	647	35
Alabama	2,171	1,927	4,009	18	40	143	808	687	181	36	8	3	1	1	1	
Arizona	10,754	18	8,141						3	4	4		3		2	
Arkansas	2,701	1,399	4,427	6	30	94	385	497	279	65	24	9	3	4	2	
California	26,545	132	8,803					6	2	10	27	25	31	10	20	
Colorado	8,365	101	9,916					1	2	4	11	12	14	21	22	1
Connecticut	11,942	9	7,564					1	1	2	2		1	1		
Delaware	6,929	28	5,305		1	1	4	5	8	3	3	1	1	1		
Florida	7,028	189	4,043	1		9	84	86	8	1						
Georgia	2,479	2,097	3,827	11	64	174	1,050	629	153	13	3					
Idaho	8,967	52	9,673							1	4	14	8	13	8	
Illinois	13,300	388	10,301				1	4	10	21	26	33	36	58	88	11
Indiana	7,829	257	9,219			2	3	3	14	21	36	31	39	33	48	2
Iowa	13,627	469	9,053		2	3	4	12	25	47	46	73	75	74	60	4
Kansas	9,821	304	8,739				3	6	20	41	45	47	48	39	43	1
Kentucky	4,027	431	7,442			1	14	38	69	82	60	56	44	45	19	
Louisiana	3,756	915	5,155		1	14	140	346	276	71	19	15	6	7	14	
Maine	3,478	27	4,146		3	4	8	3	6	2	1					
Maryland	7,882	90	6,355	2	2	4	12	10	11	14	7	17	4	5	2	
Massachusetts	8,901	12	5,442					6	3	1	1	1				
Michigan	5,258	184	7,683				8	11	19	41	25	31	18	10	14	
Minnesota	7,680	327	8,465			1	12	16	35	29	33	44	57	37	34	2
Mississippi	2,447	1,865	4,271	33	75	151	550	532	373	126	20	5				
Missouri	4,726	657	6,190		3	6	43	100	173	140	91	63	30	7	1	
Montana	8,792	46	9,826					1		2	4	6	10	8	10	
Nebraska	9,893	252	9,865					1	5	7	28	33	45	44	72	1
Nevada	15,901	4	8,762								1	2				
New Hampshire	4,233	7	5,948					1	3	2	1					

Table VIII. - Farm Tenancy: Average Value of Farms of 30 Acres or More; Number of Borrowers, Average Loan, and Number of Loans Approved by Size of Loan as of June 30, 1941 - Continued.

State and Territory (1)	Farms of 30 acres or more average value per farm 1940 (2)	Number of borrowers Inception through 6/30/41 (3)	Average amount of loan per borrower (4)	Number of loans approved by size of loan: 0 to $1,999 (5)	$2,000 to $2,499 (6)	$2,500 to $2,999 (7)	$3,000 to $3,999 (8)	$4,000 to $4,999 (9)	$5,000 to $5,999 (10)	$6,000 to $6,999 (11)	$7,000 to $7,999 (12)	$8,000 to $8,999 (13)	$9,000 to $9,999 (14)	$10,000 to $10,999 (15)	$11,000 to $11,999 (16)	$12,000 and over (17)
New Jersey	$11,486	34	$8,138					3	2	5	5	8	4	5	1	1
New Mexico	7,486	36	8,857					1	4	2	4	6	5	8	6	
New York	6,601	172	5,505			3	20	43	45	39	12	6	4			
North Carolina	3,393	1,321	4,555	11	29	64	329	456	291	83	44	12	1		1	
North Dakota	6,728	192	6,694			2	10	23	33	38	46	18	11	10	1	
Ohio	7,023	348	8,173		1	1	7	22	33	28	50	70	67	41	24	4
Oklahoma	5,092	882	6,215	6	18	33	98	148	104	150	129	92	51	31	14	8
Oregon	10,258	53	8,878						4	4	6	16	9	7	5	2
Pennsylvania	5,738	272	6,101		3	6	34	57	46	42	29	21	17	8	9	
Rhode Island	10,359	3	4,911					2	1							
South Carolina	3,305	1,229	4,181	9	29	95	399	470	188	32	7					
South Dakota	7,148	196	7,555		2	1	5	16	19	39	37	36	14	10	9	8
Tennessee	3,534	794	5,586	2	9	15	110	179	184	158	72	29	14	11	10	1
Texas	7,347	1,649	7,133		5	16	126	174	234	253	242	230	159	104	80	26
Utah	7,309	26	7,820						3	5	5	8	1	3	1	
Vermont	5,140	20	5,802			0	4	3	4	5	2	1	1			
Virginia	5,070	438	5,417	3	7	17	90	112	69	55	37	14	14	13	5	2
Washington	11,112	73	8,090						3	18	15	16	12	4	4	1
West Virginia	3,319	176	5,265	1	5	8	39	51	23	15	11	11	5	4	1	2
Wisconsin	6,597	225	7,481	1			10	26	36	30	34	21	19	23	15	10
Wyoming	11,188	20	9,022						1	3	3	1	3	6	1	2
Hawaii		172	5,365		4	4	33	28	34	35	32	2				
Puerto Rico		230	5,152	2	3	3	29	69	67	45	12					

Table: IX Farm Tenancy: Average Area of All Farms of 30 Acres or More, Number of Borrowers, Average Area of Farms to be Purchased, and Number of Farms by Acreage Groups
As of June 30, 1941

State and Territory (1)	Farms of 30 Acres or More Average Area Per Farm 1940 (Acres) (2)	Number of Borrowers Inception through June 30, 1941 (3)	Farms to be Purchased Average Area Per Farm (Acres) (4)	Number of Farms to be Purchased, by Acreage Groups: 0 to 29.99 Acres (5)	30 to 39.99 Acres (6)	40 to 79.99 Acres (7)	80 to 119.99 Acres (8)	120 to 159.99 Acres (9)	160 to 239.99 Acres (10)	240 to 319.99 Acres (11)	320 Acres and Over (12)
U. S. TOTAL	227	20,748	133	232	170	4,097	6,775	4,151	3,825	622	876
Alabama	109	1,927	102			390	1,007	352	158	18	2
Arizona	201	18	58	1	1	11	5				
Arkansas	116	1,399	95		4	519	521	190	138	23	4
California	470	132	54	7	11	95	17			1	1
Colorado	736	101	216			7	36	9	26	6	17
Connecticut	112	9	86	2		2	2	1	2		
Delaware	126	28	127			4	8	9	7		
Florida	225	189	140		3	14	35	57	72	5	3
Georgia	129	2,097	125		3	199	923	613	317	31	11
Idaho	289	52	132			5	32	3	8	1	3
Illinois	167	388	142			10	106	124	130	15	3
Indiana	131	257	114			15	132	75	35		
Iowa	176	469	136			4	127	178	144	15	1
Kansas	340	304	254			1	1	32	150	44	76
Kentucky	112	431	126			30	184	143	64	9	1
Louisiana	117	915	77		16	575	219	45	36	16	8
Maine	130	27	128			2	11	6	8		
Maryland	137	90	148		1	10	24	12	36	7	
Massachusetts	114	12	96		2	2	4	3	1		
Michigan	113	184	121	2		6	64	75	37		
Minnesota	178	327	180			1	16	64	190	33	23
Mississippi	115	1,865	89	1	1	818	674	245	121	3	2
Missouri	157	657	158	1		13	104	186	309	36	8
Montana	1,196	46	365			1	8	4	14	4	15
Nebraska	419	252	324				23	27	110	9	83

Table: IX Farm Tenancy: Average Area of All Farms of 30 Acres or More, Number of Borrowers, Average Area of Farms to be Purchased, and Number of Farms by Acreage Groups
As of June 30, 1941 - Continued

State and Territory (1)	Farms of 30 Acres or More: Average Area Per Farm 1940 (Acres) (2)	Number of Borrowers Inception through June 30, 1941 (3)	Farms to be Purchased: Average Area Per Farm (Acres) (4)	Number of Farms to be Purchased, by Acreage Groups: 0 to 29.99 Acres (5)	30 to 39.99 Acres (6)	40 to 79.99 Acres (7)	80 to 119.99 Acres (8)	120 to 159.99 Acres (9)	160 to 239.99 Acres (10)	240 to 319.99 Acres (11)	320 Acres and Over (12)
Nevada	1,331	4	300				1		1	1	1
New Hampshire	143	7	128			1	2	2	2		
New Jersey	122	34	107			6	18	7	3		
New Mexico	1,704	36	282			2	11	1		1	21
New York	138	172	149			8	56	46	46	14	2
North Carolina	96	1,321	95	5	15	546	448	195	89	19	4
North Dakota	523	192	537					3	2	8	179
Ohio	117	348	111			25	201	91	29	1	1
Oklahoma	220	882	187			22	120	145	431	64	100
Oregon	448	53	138			11	22	8	2	5	5
Pennsylvania	110	272	128			27	120	76	41	5	3
Rhode Island	116	3	25	3							
South Carolina	119	1,229	112	3	9	293	507	254	139	16	8
South Dakota	564	196	519				1	4	41	19	131
Tennessee	108	794	123			150	305	197	110	24	8
Texas	407	1,649	172	2	8	70	357	432	539	110	131
Utah	418	26	83	1	2	12	7	2	2		
Vermont	183	20	182				5	3	7	5	
Virginia	136	438	141		4	58	148	92	99	25	12
Washington	353	73	149		1	18	18	8	13	8	7
West Virginia	125	176	141			17	61	44	45	8	1
Wisconsin	132	225	135			7	67	82	60	9	
Wyoming	2,006	20	183				3	3	11	2	1
Hawaii		172	29	122	9	30	7	2		2	
Puerto Rico		230	38	82	80	60	7	1			

Table: X Farm Tenancy Loans: Number of Borrowers, Amount of Loans and Proposed Expenditures by Borrowers, for Whom Loans Were Approved, from Inception of Program through June 30, 1941

State and Territory (1)	Number of Borrowers (2)	Amount of Loans Approved Inception through June 30, 1941 (3)	Amount Borne by Borrowers (4)	Proposed Expenditures by Borrowers, by Purposes A/				
				Purchase of Farm and Incidental Costs (5)	Land Improvement (6)	Buildings Other Than Dwellings (7)	Dwellings New (8)	Dwellings Repairs (9)
U. S. TOTAL	20,748	$117,222,762.35	$294,111.54	$85,157,725.97	$3,531,528.98	$10,701,900.97	$13,707.467.62	$4,418,250.35
Alabama	1,927	7,726,068.70	14,966.00	4,566,358.60	270,122.60	901,139.94	1,794,904.30	208,509.26
Arizona	18	146,537.00	0.00	134,138.00	0.00	2,630.00	4,025.00	5,744.00
Arkansas	1,399	6,193,690.69	507.00	3,582,638.37	189,841.46	734,598.00	1,472,460.61	214,659.25
California	132	1,161,953.20	100.00	961,688.20	39,310.50	56,038.00	52,307.00	52,709.50
Colorado	101	1,001,469.05	5,422.00	820,912.00	28,535.25	71,144.80	32,537.00	53,762.00
Connecticut	9	68,072.00	805.00	62,719.00	0.00	4,154.00	1,500.00	504.00
Delaware	28	148,543.00	50.00	123,463.00	0.00	19,567.00	0.00	5,563.00
Florida	189	764,098.00	410.00	419,460.50	42,428.50	75,349.00	202,165.00	25,105.00
Georgia	2,097	8,025,338.17	7,559.50	4,749,753.74	309,333.78	783,032.35	1,788,136.60	402,641.20
Idaho	52	502,994.00	50.00	412,857.00	5,795.78	27,321.19	29,717.53	27,352.50
Illinois	388	3,996,607.23	27,291.30	3,471,706.10	117,686.83	290,475.02	15,420.00	128,610.58
Indiana	257	2,369,208.25	7,428.80	2,026,846.25	49,031.54	193,616.61	20,602.00	86,540.65
Iowa	469	4,246,066.00	60,575.40	3,838.669.20	42,961.85	289,669.60	23,765.00	111,575.75
Kansas	304	2,656,794.30	5,151.10	2,242,175.02	29,903.44	201,939.09	60,743.00	127,184.85
Kentucky	431	3,207,439.05	8,883.00	2,613,958.40	198,288.88	201,009.91	93,281.00	109,783.86
Louisiana	915	4,717,223.13	1,645.00	2,691,383.22	252,826.40	492,127.50	1,241,507.01	41,024.00
Maine	27	111,932.33	0.00	86,600.00	156.00	17,892.81	0.00	7,283.52
Maryland	90	571,956.40	1,300.00	482,939.50	3,820.00	65,949.45	0.00	20,547.45
Massachusetts	12	65,307.28	385.72	55,321.00	350.00	7,046.00	0.00	2,976.00
Michigan	184	1,413,724.00	3,102.00	1,187,867.00	15,299.00	137,437.00	3,745.00	72,478.00
Minnesota	327	2,768,159.19	26,404.95	2,485,985.69	4,728.00	214,194.31	15,974.77	73,681.37
Mississippi	1,865	7,966,307.93	355.15	4,616,539.98	254,195.45	861,817.30	2,039,327.95	194,782.40
Missouri	657	4,066,980.35	6,052.50	3,206,175.65	161,547.10	418,515.54	92,086.00	194,708.56

Table: X Farm Tenancy Loans: Number of Borrowers, Amount of Loans and Proposed Expenditures by Borrowers, for Whom Loans Were Approved, from Inception of Program through June 30, 1941 - Continued

State and Territory (1)	Number of Borrowers (2)	Amount of Loans Approved Inception through June 30, 1941 (3)	Amount Borne by Borrowers (4)	Proposed Expenditures by Borrowers, by Purposes A/				
				Purchase of Farm and Incidental Costs (5)	Land Improvement (6)	Buildings Other Than Dwellings (7)	Dwellings	
							New (8)	Repairs (9)
Montana	46	451,998.00	0.00	309,625.00	9,233.00	55,096.50	63,872.00	14,171.50
Nebraska	252	2,486,071.36	7,903.80	2,171,877.68	28,365.43	176,489.85	25,135.00	92,107.20
Nevada	4	35,050.00	0.00	31,403.00	376.00	647.00	0.00	2,624.00
New Hampshire	7	41,638.52	0.00	33,034.00	1,195.75	4,963.87	0.00	2,444.90
New Jersey	34	276,677.47	0.00	243,167.00	825.00	21,956.67	0.00	7,728.80
New Mexico	36	318,850.95	0.00	226,549.00	9,815.50	30,087.75	47,938.00	4,460.70
New York	172	946,809.99	1,305.00	801,197.00	4,291.00	94,892.70	0.00	47,734.29
North Carolina	1,321	6,016,904.16	4,957.10	4,244,038.11	156,227.74	667,158.09	483,285.60	471,151.72
North Dakota	192	1,285,170.60	405.00	991,411.75	15,831.25	134,461.15	58,918.00	84,953.45
Ohio	348	2,844,349.51	21,830.62	2,444,110.59	68,949.54	237,642.25	12,050.00	103,427.75
Oklahoma	882	5,481,400.38	18,045.46	4,238,752.51	138,899.85	443,588.78	520,580.76	157,623.94
Oregon	53	470,526.27	194.90	380,251.00	14,435.31	36,533.28	10,786.00	28,715.58
Pennsylvania	272	1,659,373.57	1,777.00	1,393,201.07	16,023.52	198,623.95	3,819.00	49,483.03
Rhode Island	3	14,733.00	0.00	11,019.00	40.00	3,240.00	0.00	434.00
South Carolina	1,229	5,137,898.83	5,777.75	3,241,515.22	90,916.00	525,191.99	998,175.43	287,877.94
South Dakota	196	1,480,736.60	2,286.00	1,204,508.60	24,050.00	146,539.00	33,254.00	74,671.00
Tennessee	794	4,434,898.63	3,953.00	3,261,663.44	213,980.20	388,556.83	356,591.00	218,060.16
Texas	1,649	11,762,265.82	24,902.85	8,804,383.30	462,151.03	768,879.48	1,481,599.36	270,155.50
Utah	26	203,324.00	0.00	168,872.30	1,055.00	11,938.00	14,403.70	7,055.00
Vermont	20	116,048.00	0.00	99,984.00	0.00	10,258.00	0.00	5,806.00
Virginia	438	2,372,798.35	3,4 3.00	1,819,719.75	103,554.50	215,897.00	86,171.00	150,899.10
Washington	73	590,566.89	1,650.00	505,280.00	6,069.00	33,878.30	13,623.00	33,366.59
West Virginia	176	926,645.25	400.00	731,937.25	39,133.00	88,270.50	12,840.00	54,864.50
Wisconsin	225	1,683,245.95	10,595.14	1,432,126.09	7,100.00	195,418.00	6,600.00	52,597.00
Wyoming	20	180,449.00	2,065.00	129,469.00	3,995.00	17,555.00	22,850.00	8,645.00
Hawaii	172	992,346.00	4,025.50	467,939.89	49,238.00	118,222.61	281,356.00	10,115.00
Puerto Rico	230	1,185,016.00	150.00	927,535.00	49,616.00	9,250.00	189,415.00	9,350.00

A/ - To Be Financed by Farm Tenant Loans or Borne by Borrowers.

Table: XI Farm Tenancy: Estimated Distribution of Loans by States, Fiscal Years 1942 and 1943

State and Territory (1)	Relative Farm Population and Prevalence of Tenancy A/ (2)	Average Value of Farms of 30 Acres or More 1940 (3)	Fiscal Year 1942 Number of Borrowers (4)	Fiscal Year 1942 Amount of Loans (5)	Fiscal Year 1942 Average per Borrower (6)	Fiscal Year 1943 Number of Borrowers (7)	Fiscal Year 1943 Amount of Loans (8)	Fiscal Year 1943 Average per Borrower (9)
U. S. TOTAL	100.00	$6,653	8,987	$50,000,000	$5,564	7,197	$40,000,000	$5.558
Alabama	6.41	2,171	845	3,205,775	3,800	676	2,564,620	3,800
Arizona	0.11	10,754	6	54,225	9,000	5	43,380	8,700
Arkansas	4.81	2,701	552	2,407,055	4,400	442	1,925,645	4,400
California	1.04	26,545	59	520,790	8,800	47	416,630	8,900
Colorado	0.76	8,365	38	381,810	10,000	31	305,450	9,900
Connecticut	0.06	11,942	4	30,240	7,600	3	24,190	8,100
Delaware	0.12	6,929	10	60,405	6,000	8	48,325	6,000
District of Columbia	B/	338,321	0	285	0	0	230	0
Florida	0.63	7,028	85	314,870	3,700	68	251,895	3,700
Georgia	6.68	2,479	915	3,339,895	3,600	732	2,671,915	3,650
Idaho	0.42	8,967	21	210,990	10,000	17	168,790	10,000
Illinois	3.42	13,300	170	1,707,980	10,000	136	1,366,385	10,000
Indiana	1.88	7,829	100	939,065	9,400	80	751,250	9,400
Iowa	3.59	13,627	205	1,796,440	8,800	164	1,437,150	8,800
Kansas	2.21	9,821	125	1,104,485	8,800	100	883.590	8,800
Kentucky	3.40	4,027	220	1,698,210	7,700	176	1,358,570	7,700
Louisiana	4.14	3,756	404	2,067,715	5,100	324	1,654,170	5,100
Maine	0.09	3,478	10	46,430	4,600	8	37,145	4,600
Maryland	0.52	7,882	40	259,370	6,500	32	207,495	6,500
Massachusetts	0.08	8,901	8	40,435	5,100	7	32,350	4,600
Michigan	1.20	5,258	85	600,205	7,100	68	480,165	7,100
Minnesota	2.40	7,680	140	1,200,625	8,600	112	960,500	8,600
Mississippi	7.56	2,447	831	3,777,500	4,500	665	3,022,000	4,500
Missouri	3.25	4,726	285	1,627,150	5,700	228	1,301,720	5,700
Montana	0.40	8,792	23	197,920	8,600	19	158,335	8,300
Nebraska	2.13	9,893	105	1,068,760	10,200	84	855,010	10,200
Nevada	0.02	15,901	1	9,285	9,300	1	7,430	7,400

Table: XI Farm Tenancy: Estimated Distribution of Loans by States, Fiscal Years 1942 and 1943 - Continued

State and Territory (1)	Relative Farm Population and Prevalence of Tenancy A/ (2)	Average Value of Farms of 30 Acres or More 1940 (3)	Fiscal Year 1942 Number of Borrowers (4)	Fiscal Year 1942 Amount of Loans (5)	Fiscal Year 1942 Average per Borrower (6)	Fiscal Year 1943 Number of Borrowers (7)	Fiscal Year 1943 Amount of Loans (8)	Fiscal Year 1943 Average per Borrower (9)
New Hampshire	0.04	4,233	3	18,410	6,100	2	14,730	7,400
New Jersey	0.19	11,486	11	92,795	8,400	9	74,235	8,200
New Mexico	0.25	7,486	13	123,510	9,500	11	98,810	9,000
New York	0.73	6,601	60	364,045	6,100	48	291,235	6,100
North Carolina	5.96	3,393	690	2,977,510	4,300	552	2,382,005	4,300
North Dakota	1.20	6,728	85	600,225	7,100	68	480,180	7,100
Ohio	2.31	7,023	145	1,154,950	8,000	116	923,960	8,000
Oklahoma	4.13	5,092	358	2,065,465	5,800	287	1,652,370	5,800
Oregon	0.38	10,258	21	192,105	9,100	17	153,685	9,000
Pennsylvania	1.19	5,738	105	593,255	5,600	84	474,605	5,650
Rhode Island	0.01	10,359	1	6,755	6,800	1	5,405	5,400
South Carolina	4.17	3,305	500	2,084,110	4,200	400	1,667,285	4,200
South Dakota	1.32	7,148	85	661,660	7,800	68	529,330	7,800
Tennessee	4.17	3,534	390	2,085,660	5,300	312	1,668,525	5,300
Texas	8.59	7,347	545	4,297,245	7,900	436	3,437,795	7,900
Utah	0.11	7,309	7	56,300	8,000	6	45,040	7,500
Vermont	0.09	5,140	9	43,170	4,800	7	34,535	4,900
Virginia	2.02	5,070	195	1,012,170	5,200	156	809,735	5,200
Washington	0.49	11,112	27	244,155	9,000	22	195,325	8,900
West Virginia	0.98	3,319	95	491,285	5,200	76	393.030	5,200
Wisconsin	1.65	6,597	115	824,310	7,200	92	659,450	7,200
Wyoming	0.15	11,188	7	71,465	10,200	6	57,170	9,500
Alaska	B/		0	1,830	0	0	1,465	0
Hawaii	0.75		63	372,680	5,900	52	298,145	5,700
Puerto Rico	1,79		170	897,020	5,300	136	717,615	5,300

A/ - This is an index of farm population and prevalence of tenancy for each state expressed as a percentage of the total for the United States, Alaska, Hawaii and Puerto Rico.

B/ - Less than 0.001.

Table: XII Farm Tenancy: Collections and Maturities
As of June 30, 1941

State and Territory (1)	Cumulative loans approved Number (2)	Cumulative loans approved Amount (3)	Cumulative loans closed Number (4)	Cumulative loans closed Amount (5)	Extra payments (6)	Amount matured principal and interest a/ (7)	Amount collected principal and interest a/ (8)	Delinquencies Number (9)	Delinquencies Amounts principal and interest (10)	Per cent collections to maturities (11)
U. S. TOTAL	20,748	$117,222,762	14,944	$87,878,258	$671,014	$3,041,619	$2,935,363	964	$106,256	96.5
Alabama	1,927	7,726,069	1,176	4,786,943	48,577	149,627	144,258	80	5,369	96.4
Arizona	18	146,537	14	103,929	87	2,050	1,398	2	652	68.2
Arkansas	1,399	6,193,691	840	3,751,315	26,024	150,498	141,710	111	8,788	94.2
California	132	1,161,953	109	877,659	3,531	22,499	21,426	3	1,073	95.2
Colorado	101	1,001,469	91	892,250	4,032	24,366	24,366	0	0	100.0
Connecticut	9	68,072	6	40,397	0	1,285	1,284	1	1	100.0
Delaware	28	148,543	14	70,333	91	1,949	1,949	0	0	100.0
Florida	189	764,098	109	445,099	4,036	11,034	10,147	8	887	92.0
Georgia	2,097	8,025,338	1,532	6,012,605	43,082	207,049	199,565	87	7,484	96.4
Idaho	52	502,994	35	338,050	3,985	12,897	12,069	5	828	93.6
Illinois	388	3,996,607	332	3,387,859	25,653	120,450	113,514	33	6,936	94.2
Indiana	257	2,369,208	229	2,139,302	11,378	89,906	87,990	5	1,916	97.9
Iowa	469	4,246,066	452	4,110,150	24,036	175,886	175,886	0	0	110.0
Kansas	304	2,656,794	254	2,204,668	16,720	55,048	53,177	13	1,871	96.6
Kentucky	431	3,207,439	343	2,621,908	16,832	119,447	115,829	17	3,618	97.0
Louisiana	915	4,717,223	531	2,728,883	16,580	63,119	56,195	68	6,924	89.0
Maine	27	111,932	18	53,098	61	859	764	1	95	88.9
Maryland	90	571,956	59	326,378	587	7,111	6,672	3	439	93.8
Massachusetts	12	65,307	7	37,388	186	788	788	0	0	100.0
Michigan	184	1,413,724	158	1,218,516	8,469	57,379	56,958	3	421	99.3
Minnesota	327	2,768,159	325	2,755,579	11,183	118,378	117,918	3	460	99.6
Mississippi	1,865	7,966,308	1,160	4,799,103	40,024	90,537	75,143	177	15,394	83.0
Missouri	657	4,066,980	560	3,517,995	26,964	144,119	141,931	26	2,188	98.5
Montana	46	451,998	34	340,198	1,280	15,508	15,508	0	0	100.0
Nebraska	252	2,486,071	193	1,909,893	8,738	74,174	72,939	7	1,235	98.3
Nevada	4	35,050	3	27,050	0	1,994	1,994	0	0	100.0
New Hampshire	7	41,639	4	23,665	0	283	0	1	283	0.0

Table: XII Farm Tenancy: Collections and Maturities
As of June 30, 1941 - Continued

State and Territory (1)	Cumulative loans approved Number (2)	Cumulative loans approved Amount (3)	Cumulative loans closed Number (4)	Cumulative loans closed Amount (5)	Extra payments (6)	Amount matured principal and interest a/ (7)	Amount collected principal and interest a/ (8)	Delinquencies Number (9)	Delinquencies Amounts principal and interest (10)	Per cent collections to maturities (11)
New Jersey	34	276,678	25	196,895	19	4,381	4,381	0	0	100.0
New Mexico	36	318,851	31	251,581	2,254	13,971	13,971	0	0	100.0
New York	172	946,810	102	515,511	738	12,089	9,756	15	2,333	80.7
North Carolina	1,321	6,016,904	907	4,276,097	37,319	124,725	114,267	85	10,458	91.6
North Dakota	192	1,285,171	122	811,580	3,542	37,957	37,094	6	863	97.7
Ohio	348	2,844,350	304	2,495,120	20,200	102,045	98,799	15	3,246	96.8
Oklahoma	882	5,481,400	715	4,578,346	43,826	179,722	177,485	14	2,237	98.8
Oregon	53	470,526	44	388,731	1,193	7,352	6,186	9	1,166	84.1
Pennsylvania	272	1,659,374	148	910,495	6,492	25,076	20,833	34	4,243	83.1
Rhode Island	3	14,733	1	4,447	0	0	0	0	0	-
South Carolina	1,229	5,137,899	820	3,446,885	20,888	123,815	120,813	40	3,002	97.6
South Dakota	196	1,480,737	122	938,096	2,955	42,672	42,305	3	367	99.1
Tennessee	794	4,434,899	620	3,576,499	48,177	145,919	142,100	24	3,819	97.4
Texas	1,649	11,762,266	1,469	10,362,780	97,902	332,930	328,838	26	4,092	98.8
Utah	26	203,324	14	105,612	363	4,667	4,364	3	303	93.5
Vermont	20	116,048	12	76,961	0	100	100	0	0	100.0
Virginia	438	2,372,798	333	1,847,510	15,456	68,000	67,558	10	442	99.4
Washington	73	590,567	52	403,693	1,402	8,791	8,190	6	601	93.2
West Virginia	176	926,645	123	707,474	7,945	29,814	29,206	8	608	98.0
Wisconsin	225	1,683,246	170	1,303,722	9,041	35,410	35,325	1	85	99.8
Wyoming	20	180,449	14	117,775	0	6,567	6,365	2	202	96.9
Hawaii	172	922,846	110	565,375	7,768	9,079	8,964	4	115	98.7
Puerto Rico	230	1,185,016	98	476,860	1,398	8,297	7,085	5	1,212	85.4

a/ - Excludes extra payments.

(b) LIQUIDATION AND MANAGEMENT OF RESETTLEMENT PROJECTS - TITLE IV

Appropriation Act, 1942	$747,453
Budget estimate, 1943	500,000
Decrease	-247,453

PROJECT STATEMENT

Projects	1941 (actual)	1942 (estimated)	1943 (estimated)	Increase or decrease
1. Technical services and supervision of project development and property maintenance	$ 539,812	$363,800	206,775	-$157,025
2. Management and collection service	527,636	40,450	40,450	-
3. Administrative expenses	346,204	270,329	169,925	-100,404
Total	1,413,652	674,579	417,150	-257,429
Transfers as shown in budget schedules	+75,360	+72,874	+82,850	+9,976
Unobligated balance	+10,927	- -	- -	- -
Total appropriation	1,499,939	747,453	500,000	-247,453(1)

DECREASE

(1) The estimates provide for a decrease of $247,453 in this item for 1943. This reduction is made possible through the availability of estimated savings and unobligated balances under the appropriation "Payments in lieu of taxes and for the operation and maintenance of resettlement projects" which will be available during the fiscal year 1943 for the same purposes as this appropriation.

WORK UNDER THIS APPROPRIATION

Objective: To provide for part of the technical supervision by both Washington and regional officials for the land development work being prosecuted by the Government, Associations, or individual clients on the 193 existing resettlement projects throughout the continental United States, the maintenance and repair of over 46,000 structures, and the operations and activities of approximately 15,000 families now living on these projects; to provide in part for the collections of income derived from the operation and maintenance of these projects; and to provide for the various administrative activities incident to the management, operation and maintenance of the projects.

The problem and its significance: At the present time there are a total of 193 projects under the administrative jurisdiction of the Farm Security Administration. These projects are scattered throughout the United States in nearly all states, crop areas and climates.

Homestead projects of a subsistence type, started by the Subsistence Homesteads Corporation of the Department of the Interior, were transferred by Executive Order to the Resettlement Administration on May 15, 1935. Later, on July 1, 1935 the rural rehabilitation projects of both the scattered farms and community type, initialed and partially developed by the State Emergency Relief and Rural Rehabilitation Corporations, were transferred to the Resettlement Administration. Under the authority contained in the Emergency Relief Appropriation Acts of 1935 and 1936, the Resettlement Administration initiated and developed additional rural rehabilitation projects and continued and/or completed the development of the projects transferred from other agencies. On September 1, 1937, these projects were transferred to the Farm Security Administration. With funds provided under the Emergency Relief Appropriation Acts of 1937 and 1938, and with funds transferred in trust, for the benefit of the State Rural Rehabilitation Corporations, the Farm Security Administration has made every effort to complete these projects. At the present time, there are a total of 193 projects under the administrative jurisdiction of the Farm Security Administration. The projects are scattered throughout the United States in nearly all states, crop areas, and climates.

Of the 193 projects there are 72 community projects, 30 subsistence homesteads projects, 3 suburban resettlement projects, 6 stranded group projects, and 82 scattered farms projects. A total of $135,189,835.47 has been expended in the purchase of land for, and in the development of, these 193 projects. This includes all expenditures made by all prior Federal agencies, State Emergency Relief and Rural Rehabilitation Corporations, and the Farm Security Administration. Of this total cost, $30,294,210.58 was expended for the purchase of 970,394 acres of land on which the projects are located. All other costs of developing these projects totaled $104,895,624.89. The projects as now completed consist of 14,703 family units.

Under the administration of the Farm Security Administration, these projects have been managed and operated substantially in accordance with the original aims for which the projects were started.

In order to authorize payments in lieu of taxes and to provide for the cost of operating and maintaining resettlement projects or rural rehabilitation projects for resettlement purposes, for which funds had been allotted from the Emergency Relief Appropriation Act of 1935, the Congress on June 29, 1936, approved the Bankhead-Black Act providing under section 3 thereof that "the receipts derived from the operation of such projects, in addition to the monies appropriated or allocated for such projects, shall be available for such payments in lieu of taxes and for any other expenditures for operation and maintenance (including insurance) of such projects." Since the passage of this Act, all receipts derived from the operation and maintenance

of the projects specified have been deposited into a trust fund account and have been, and are being, used for payments in lieu of taxes, insurance, operations, maintenance and repair costs, on all these projects, and for the payment of management expenses on those projects from which the income was sufficient after first providing for the expenses of taxes, insurance, operations, maintenance and repairs.

For the purpose of providing funds with which to administer, maintain, manage, and operate those projects for which development funds had been allotted by the President prior to July 22, 1937, the Congress provided through section 43 of the Bankhead-Jones Farm Tenant Act, a direct appropriation which for the fiscal year 1939 (the first year) was in the amount of $2,000,000. Subsequent appropriations, amounting to $1,987,400 for the fiscal year 1940, $1,499,839 for the fiscal year 1941, and $747,453 for the fiscal year 1942, have been made available for this purpose.

Prior to the passage of this Act, the expenses of administering, managing, and operating these projects were financed from funds made available under the various Emergency Relief Appropriation Acts.

Both the Bankhead-Black Act and the Bankhead-Jones Farm Tenant Act made funds available for the administration and operation of only those projects to which the President had allotted funds from the Emergency Relief Appropriations. Thus, the Acts did not provide funds for those projects which had been transferred to the Farm Security Administration, through the Resettlement Administration, from State Emergency Relief and Rural Rehabilitation Corporations. All expenses for management, operations, maintenance and repair, taxes, and insurance in connection with those projects transferred from the State Corporations have been and are financed from the funds transferred to the Government in trust for use in furthering the activities and programs of the State Corporations. In those instances where funds transferred by State Corporations and funds appropriated under the Emergency Relief Appropriation Acts have been expended in the construction and development of the same projects, a joint-investment relationship has been established, i.e., the projects are owned jointly by the State Corporation and by the Government, their relative investments being in direct proportion to the total expenditures which have been made from their respective funds. As a matter of policy, management, operations, maintenance, taxes and insurance expenses in connection with these projects are prorated in accordance with the joint-investment ratios.

In order to protect the Government's investment of $135,189,835, constant and thorough inspection and maintenance of all physical properties are necessary. This included both normal repairs and the training of occupants to improve their land and preserve the structures located thereon. Insurance coverage must be secured for the 46,000 structures developed on these projects, and payments in lieu of taxes on more than 900,000 acres of land to which the Government holds title must be negotiated with the local taxing authorities. Surveys and appraisals are required to determine proper lease and sale rates and contracts which are fair to both the clients and the

Government. Planning and research are undertaken for the establishment of general cooperatives embracing a wide variety of activities interlocked with the agricultural economy of the projects.

The rehabilitation of the 15,000 project families requires several years of education in new methods and opportunities and almost constant supervision. Protection of the Government's investment requires the prompt collection of monthly rents or payments toward the purchase of the individual farms and homes and strict compliance with approved farm and home economies.

Progress and current program: A special report, "Development and Operation of Projects Under the Jurisidiction of the Farm Security Administration", submitted under separate cover as a part of the explanatory notes for the 1942 budget estimates, contains a complete analysis of the development and the present status of the 193 projects, as well as other pertinent information, including the source of funds used for the purchase of the land and for development. A copy of this report was also filed with the Agricultural Subcommittee of the House Committee on Appropriations. There has been no significant change in capital investment in these projects since the report was filed. These projects, consisting of 72 community projects, 30 subsistence homestead projects, 3 suburban resettlement projects, 6 stranded group projects, and 82 scattered farms projects, represent a capital investment of approximately $135,000,000. Included on these projects are approximately 15,000 family units, consisting of over 46,000 buildings.

As of June 30, 1940, 17 projects had been conveyed to homestead associations and one was in the process of being conveyed. This latter project was conveyed to a homestead association on October 1, 1940. Because of lack of demand for housing in their localities, two previously formed associations were liquidated. Thus, as of June 30, 1941, 16 projects consisting of 974 family units are being operated by homestead associations, and are continuing to demonstrate successful operation. A list of the 16 projects now being operated by homestead associations follows:

Projects Conveyed to and Being Operated by Homestead Associations as of June 30, 1941

Alabama
- Bankhead Farms
- Greenwood Homesteads
- Mount Olive Homesteads
- Palmerdale Homesteads

Arizona
- Phoenix Homesteads, Unit B

California
- El Monte Homesteads
- San Fernando Homesteads

Indiana
- Decatur Homesteads

Minnesota
- Austin Acres
- Duluth Homesteads

Texas
- Beauxart Gardens
- Dalworthington Gardens
- Houston Gardens
- Three Rivers Gardens
- Wichita Gardens

Washington
- Longview Homesteads

During the fiscal year 1941, preparatory to conveying additional projects to homestead associations and/or the sale of individual units to present occupants, it was necessary to reappraise many farm units to determine a purchase price fair to both the clients and the Government, emphasizing the productive rather than cost value. Fully considered and sound economic plans are being developed in contemplation of the conveyance of approximately 20 of the more successful projects during the fiscal year 1942 and, if everything progresses in good order, an additional 35 in 1943. The conveyance of entire projects, or portions thereof, will depend, of course, upon the satisfactory consummation of arrangements whereby the client or association will have a good opportunity of success and rehabilitation and the Government will receive a reasonable return on its investment. A hasty or unsound conveyance which results in the Government having to take back the property is both excessively costly and highly undesirable.

Looking forward to the conveyance of farm units, much of our efforts have been directed toward educating clients to initiate their own land development and maintenance work. Some success has already been realized from the maintenance educational program, and a number of clients have completed drainage facilities which have resulted in greater unit economic sufficiency. These educational and demonstrational programs, supervised by technicians, will be continued in an effort to train the individual occupants to perform maintenance and land development work for themselves, which they will be required to do after the homestead units are conveyed to them.

At the present time, 177 projects are being directly managed, maintained, and operated by the Farm Security Administration, and 16 by the homestead associations. With the gradual conveyance of properties, the emphasis is being shifted from direct management to indirect management. This means giving business, community management, and agricultural advice to the groups managing the projects and to the occupants themselves. Where individuals are in occupancy under direct contracts with the Government, the technique of management is being changed to meet the altered status of occupancy.

The funds appropriated for the fiscal year 1941, totaling $1,499,939 - in addition to being used to provide technical services and supervision of land development and property maintenance, and administrative supervision of the 193 projects - were used to provide for the management of approximately 100 of the projects where the income, under authority of the Act "Payments in Lieu of Taxes and for Operations and Maintanance of Resettlement Projects" was not sufficient to provide for the maintenance and operation, including the management expenses, of those projects. In view, however, of the decrease of approximately $750,000 in this appropriation for the fiscal year 1942, all expenses in connection with the maintenance, operations, and management on the projects, and payments in lieu of taxes and insurance premiums for projects are being provided for from the receipts derived from the operation and maintenance of these projects, available for this purpose under the appropriation "Payment in Lieu of Taxes and for Operation and Maintenance of Resettlement Projects". It is contemplated that this arrangement will continue for the fiscal year 1943. The appropriation of $747,453 in 1942 is being used exclusively for technical services,

management and maintenance supervision, selection services, property control, and administrative supervision and guidance, including legal services, principally from the twelve regional offices and the Washington office of the Farm Security Administration. No part of this appropriation is being used for the payment of expenses incurred directly on any of the 193 projects.

As a result of the further reduction of $247,453 in the estimate for this appropriation, it is contemplated that expenses in connection with the operation, maintenance, and administration of these projects, which cannot be eliminated, will be transferred in an amount not to exceed the estimated reduction from this appropriation to the appropriation "Payments in lieu of taxes and for the operation and maintenance of resettlement projects."

In accordance with the desires of the Congress and the policies of the Department, efforts are being made to dispose of these projects through the conveyance of the entire project to a cooperative association of project clients or through the sale of the individual farm units. The type of sale or conveyance depends entirely upon the nature of the property being sold. Until all resettlement projects have been satisfactorily turned over to client associations or individuals, and the Government's investment and responsibility in this program have been liquidated, it will be necessary to provide these services.

(c) LAND UTILIZATION AND RETIREMENT OF SUBMARGINAL LAND (TITLE III)

Appropriation Act, 1942	$2,752,412
1941 unexpended balance reappropriated for 1942	+ 701,743
1941 obligations liquidated in 1942	- 593,615
Net amount 1941 funds reappropriated for obligation in 1942	+ 108,128
Net appropriation and reappropriation, 1942	2,860,540
Budget estimate, 1943	795,575
Change from 1942:	
Net reduction in working funds	- 2,075,540
Additional for administrative promotions	+ 10,575
Net decrease	- 2,064,965

PROJECT STATEMENT

Projects	1941	1942 (estimated)	1943 (estimated)	Increase or decrease
1. Acquisition of land	a/ $1,102,522	a/$911,260	$210,000	-$701,260(1)
2. Management, operations planning, and improvement and protection of land acquired .	a/1,181,562	a/1,222,587	426,980	- 795,607(2)
3. Net cost, within-grade promotions	- -	- -	10,575	+ 10,575
Total	2,284,084	2,133,847	647,555	-1,486,292
Transfers, as shown in Budget schedules	952,597	726,693	148,020	- 578,673(3)
Net appropriations and reappropriations	3,236,681	2,860,540	795,575	-2,064,965
Unobligated balance 1940 reappropriated for 1941	- 1,245,134			
Net amount 1941 funds reappropriated for obligation in 1942	+ 108,128	- 108,128		
Total appropriation	2,099,675	2,752,412	795,575	[illegible]

a/ The amounts shown for Projects 1 and 2 above, in the 1941 and 1942 columns, differ from those shown in the Budget, due to inadvertantly deducting reimbursements from other agencies from Project 1 instead of Project 2 in preparing the Budget.

DECREASES

The decrease of $2,064,965 consists of:

(1) A decrease of $701,260 for "Acquisition of land". In view of war time financial requirements the Budget contemplates suspension of purchases of submarginal land. The funds requested for 1943 are for acquisition costs in connection with title clearance and related work incident to land purchase options accepted prior to the close of the fiscal year 1942.

(2) A decrease of $795,607 for "Management, operations planning, and improvement and protection of land acquired" contemplates that work under this project will be limited in 1943 to activities which are essential to the protection and management of these public lands.

(3) A decrease of $578,673 in transferred funds as follows:

"Salaries and expenses, Bureau of Agricultural Economics"; reduction in planning and research work pursuant to the authority vested in the Secretary under the Bankhead-Jones Act to develop a program of land conservation and land utilization.....	-$524,173
"Salaries and expenses, Office of the Solicitor"; reduction in funds for examination of titles in connection with purchase of submarginal lands to the amount needed for title work on options accepted prior to the close of the fiscal year 1942...	- 50,000
"Salaries, Office of Secretary," and "Miscellaneous expenses, Department of Agriculture"; reduction in funds for departmental administration, services, etc.....	- 3,000
"Salaries and expenses, Library"; reduction in purchase of law books for Office of Solicitor.....	- 500
"Salaries and expenses, Office of Information"; reduction in central informational services.....	- 1,000
Total	- 578,673

CHANGE IN LANGUAGE

The estimates include a proposed change in the language of this item as follows (deleted matter enclosed with brackets):

> To enable the Secretary of Agriculture to carry out the provisions of Title III of the Bankhead-Jones Farm Tenant Act, approved July 22, 1937 (17 U.S.C. 1010-1013), including the employment of persons and means in the District of Columbia and elsewhere, [and including obligations chargeable against the appropriation for this purpose for the fiscal year 1941, $2,752,412, of which $574,173 shall be transferred to and made a part of the appropriation, "Salaries and expenses, Bureau of Agricultural Economics", together with the unexpended balance of the appropriation under this head for the fiscal year 1941] $795,575.

The proposed changes in language eliminate (1) the provision for reappropriation of prior years' unexpended balances and (2) explicit provision for transfer to the Bureau of Agricultural Economics, which is no longer necessary due to proposed changes in language in "Salaries and expenses, Bureau of Agricultural Economics".

WORK UNDER THIS APPROPRIATION

Objective: Rehabilitation of areas blighted by the cultivation of submarginal land and land not primarily suitable for cultivation through the acquisition, improvement, protection and proper management of such lands so as to bring about (a) proper, permanent land uses, (b) a sound rural economy, (c) an

improved basis of living for the families dependent upon the resources of an area, and (d) the correction of situations of use and occupancy which occasion unreasonably high costs per family for public service and facilities; thereby stopping the continued impoverishment of land and human resources caused by (1) wastage and depletion of the land and the impairment of the value of other lands resulting from erosion and destruction of natural cover, and (2) family earnings insufficient to provide adequate food, shelter, clothing and essentials of health.

The problem and its significance: Various estimates place the acreage in farms unsuitable for cultivation in the principal areas of submarginal land at between 75 and 100 million acres and the number of farms at between four hundred and fifty thousand and six hundred thousand. These farms constitute a substantial percent of all the farms in these areas. The large proportion of this acreage in cultivation, or subject to cultivation, is unsuited to the growing of cultivated crops because of natural infertility, physical factors, location, or loss of productivity by erosion or destruction of cover. The families occupying "submarginal" farms generally have insufficient resources to make the shift to proper land use, for instance from a cash crop farming to grazing, and still secure a family living from the farms. Many of the families are "stranded" in their present locations; there is no market for their properties, and they do not have the resources to relocate elsewhere.

Solution of the human, land, and governmental problems in those areas where a substantial number of the farms are unsuited for cultivation, can be brought about only by drastic changes in land use and occupancy. These changes may involve one or more of the following: relocation of families, both within the areas and by migration to other areas; shifting of the use of land now in cultivation to grazing, or to forestry and associated uses; revisions in the type of economy to conform with changes in land use. For example, from the growing of cultivated crops to livestock production, forestry, or part-time farming combined with forestry or other uses which will provide a permanent livelihood for the maximum number of families; restoration of the land to productivity in those uses for which it is adapted; distribution of grazing, timber harvesting and other privileges at equitable charges among remaining families so that all or as many as possible will have the opportunity for a livelihood, providing of supplementary employment to families during the restoration of the land to a productive condition; and changes in the tax structure, in the utilization of tax-reverted lands, in services and facilities, and in organization and functions of local governmental units. The many and far-reaching adjustments involved in changes in land use and occupancy are beyond the ability of individual families to bring about. Neither can the families acting together and with the aid of local governments make those adjustments. The authority in Title III of the Bankhead-Jones Farm Tenant Act provides for the making of changes in land use and occupancy, and the means whereby, through the coordination of the public programs and the cooperation of local governments, rehabilitation of land and people on "submarginal" farms can be permanently effected.

General plan, progress and current work:

1. Acquisition of land: First consideration in the use of funds available for land purchase has been given to the needs of established projects. The

following table indicates the extent of land acquisition activities in 1941, the land acquisition activities under way in the present fiscal year (1942), and those projected for 1943. No funds are indicated for new acquisition in 1943 because of the national emergency.

	1941	1942	1943
Options accepted	596	620	- -
Number of acres	93,975	139,000	- -
Cost of land	$638,585	$610,260	- -
Acquisition cases completed	2,778	810	450
Acres involved	774,943	226,463	125,000
Amount	$3,045,495	$890,000	$500,000
Acquisition cost	$463,937	$301,000	$210,000

2. Management, operations planning, and improvement and protection of land acquired: During the early stages of the program of submarginal land purchase and development, quite a number of intensive recreational developments were initiated. Since the program has been under the Soil Conservation Service, no new recreational units of that type have been initiated and the units underway when the program was transferred have been brought to completion as quickly as practicable. At the present time, new recreational developments on the land utilization areas are limited to picnic areas for local use on acquired land particularly adapted to that use. Such developments have been few in number and usually consist of picnic tables, fire places, toilets, and the development of water supply. In some cases, local people have been using these areas for picnicking for many years. By providing simple facilities such as indicated, these places are more safely and properly used both from the standpoint of the local people and the Government.

Developmental work during the current fiscal year on lands acquired has been confined, generally, to soil erosion control, soil stabilization, reseeding and replanting to pasture, range or forest cover, the construction of stock watering facilities, fences, workers' units and similar work necessary for the restoration of the acquired lands to pasture, range and forests, or other useful agricultural purpose. It is important that cover restoration work be continued. Much of the land was abandoned crop land or land devoted to the growing of cultivated crops at the time of purchase and has not been developed for its proper use. Unless restored to grass or trees such lands will be subject to sheet and gully erosion, while if planted to trees or seeded to grass they would be placed in some productive use.

Title III lands under the jurisdiction of the Soil Conservation Service during the 1941 fiscal year were administered and managed as follows:

(a) Managed directly by SCS: 3,601,000 acres within 67 project areas;
(b) Managed through Soil Conservation Districts: 98,000 acres within two project areas;
(c) Managed through State Grazing Associations or State Grazing Districts: 3,415,000 acres within 13 project areas, and
(d) Managed by State agencies with Soil Conservation Service as custodial agency: 361,000 acres within 17 projects.

Total acres, 7,475,000

Transfers of land during the period July 1, 1941 to June 30, 1941 were as follows:

(a) To other Federal agencies: 122,000 acres within three project areas;
(b) To State agencies: 189,000 acres within 8 project areas;
(c) From other Federal agencies to Title III (and jurisdiction of the Soil Conservation Service); 113,000 acres within one project.

Receipts by the Federal Government from lands administered under Title III by the Soil Conservation Service during the 1940 calendar year amounted to $172,020.56, distributed as follows:

Grazing:	$133,983.28	Recreation:	$17,177.27
Cropping and Haying:	$10,288.76	Forest Products:	441.77
Building Occupancy:	6,847.62	Miscellaneous:	3,281.86

Permits involving grazing, the harvest of forest products, cropping and haying, and occupancy were issued to 6,047 individuals during the 1940 calendar year. It is estimated that 500,000 persons utilized the facilities available on 40 recreational areas under the jurisdiction of the Soil Conservation Service. These facilities range from simple picnic grounds to overnight and vacation accommodations.

Improvement work during 1943 will be confined to that which is immediately essential to the management and protection of acquired lands.

The operations planning will include work in connection with detailed physical and economic surveys needed in areas in which land has already been acquired and lands on which improvement and protection work will be undertaken. Physical and economic surveys are needed to provide the basic information as to the best use of the land and the most desirable economy in project areas. The preparation of detailed plans, based on the results of physical and economic surveys, are needed for determining the rehabilitation assistance required by the occupants of such tracts; the type and character of improvements needed; and the pattern of operating units, control of public owned lands, distribution of local schools and roads, and local tax policies that will make for a stable agricultural economy and a permanent livelihood for as many farm families as possible.

At the beginning of the fiscal year 1943, it is anticipated that there will be approximately 7,289,000 acres of land within 83 projects under management by the Soil Conservation Service, and 392,000 acres within 17 areas by State agencies, for which this Service will be custodian. The management of the lands acquired within the 83 projects includes: (a) the distribution of use privileges, either directly or through local agencies such as grazing associations or soil conservation districts, in accordance with productive capacity of the land and the needs of local families, to the end that as many families as possible will have an increasingly improved basis for a livelihood; (b) the protection of the land from damage by fire or trespass; (c) maintenance and repair of improvements; (d) the determination of the time, intensity and condition of uses to be permitted, and the supervision of such uses; (e) the determination of equitable Schedules of Rates for the use of project resources and facilities; (f) assistance to operators in reorganizing their operating units through the use of project resources; (g) technical guidance and assistance to families residing on purchased lands in securing new locations or other opportunities to make a livelihood; and (h) cooperation with local officials in order to bring

about changes needed in local school systems and other institutions to more nearly fit changes in occupancy and use of lands and to minimize any maladjustments in the financial structures of local governments caused by land purchases.

Custodianship of projects involves inspections to determine that the cooperative agreements between the Department and the States are being conformed to, and consideration of any modifications of, or exceptions to, cooperative agreements desired by the State agencies.

The funds requested under this financial project will be used for certain highly essential activities in connection with the proper use, protection and management of these public lands.

(d) PERMANENT APPROPRIATION: PAYMENTS TO COUNTIES FROM SUBMARGINAL LAND PROGRAM, FARM TENANT ACT

This budget schedule covers payments as authorized by Section 33 of Title III of the Bankhead- Jones Farm Tenant Act, to counties of twenty five percent of the net revenues received each calendar year from the use of lands held by the Secretary of Agriculture under that Act. These payments are made to the counties in which the land is located on the condition that they are used for school or road purposes or both.

Actual obligations for 1941, and estimated obligations for 1942 and 1943 are as follows:

1941	$32,199
1942	53,700
1943	56,000

PASSENGER-CARRYING VEHICLES

FARM TENANT ACT

Farm Tenancy (TITLE I)-Farm Security Administration

The replacement of three (3) passenger-carrying vehicles, as indicated in the estimate, contemplates the trade-in of 1938- and 1939-model vehicle that will have been operated by January 1, 1943, over 60,000 miles each, which is the estimated economical life expectancy. The operating cost is based on an average annual usage of 25,000 miles at .02 cents per mile for gasoline, oil, tires and repairs. The estimated average net cost for new cars including freight and trade-in allowance is $720.

The Twenty-three (23) old vehicles to be operated and the three (3) new vehicles to be purchased are needed for the transportation of personnel traveling from the regional offices in extended travel throughout the rural areas wherein farm tenant loans have been and are being approved.

The passenger-carrying vehicles assigned for operation from regional offices are driven to points in rural areas not served by common carrier. The vehicles are not assigned for operation to any particular individual or group of individuals, but are operated on the basis of a pool with transportation being furnished from the pool to those individuals traveling to such rural points.

Liquidation and management of resettlement projects (TITLE IV)-Farm Security Administration

The replacement of one (1) passenger-carrying vehicle, as indicated in the estimate, contemplates the trade-in of a 1938-model vehicle that will have been operated by January 1, 1943, over 60,000 miles, which is the estimated economical life expectancy. The operating cost is based on an average annual usage of 25,000 miles at .02 cents per mile for gasoline, oil, tires and repairs. The estimated net cost for the new car including freight and trade-in allowance is $675.00.

The four (4) old vehicles to be operated and the new vehicle to be purchased are needed for the transportation of regional personnel to and from projects in the administration of their official duties.

The passenger-carying vehicles assigned for operation from regional offices are driven to points in rural areas not served by common carrier. The vehicles are not assigned for operation by any particular individual or group of individuals, but are operated on the basis of a pool with transportation being furnished from the pool to those individuals traveling to such rural points.

Land Utilization and Retirement of Submarginal Land (TITLE III)-Soil Conservation Service

The replacement of five (5) passenger-carrying vehicles, as indicated in the estimate, contemplates the trade-in of 1937 and 1938 models that will have been operated by January 1, 1943, over 60,000 miles each, which is the estimated economical life expectancy. This amounts to a decrease in the number of cars estimated to be purchased from 30 in the fiscal year 1942 to 5 in the fiscal year 1943. The estimated average net cost for new cars including freight and trade-in allowance is $702.

The common carrier is not well suited to this work, as the work is generally performed in areas where public transportation is inadequate. From the experience of the Soil Conservation Service it has been found that Government-owned passenger-carrying vehicles, where continuous and extensive use is involved, can be operated and maintained with less cost to the Government, including depreciation, than personally-owned cars on a reimbursement basis. The replacement of the vehicles contemplated by these estimates, therefore, is essential to carry on the work in the most economical and advantageous manner possible.

FARM SECURITY ADMINISTRATION

(a) FARM TENANCY

The budget schedule accounts for the allotment to the Farm Security Administration from the appropriation for farm ownership loans under Title I of the Bankhead-Jones Farm Tenant Act. A complete statement, covering all funds under this title, has been included in these notes under the heading "Farm Tenant Act - Farm Tenancy".

(b) LIQUIDATION AND MANAGEMENT OF RESETTLEMENT PROJECTS

The budget schedule accounts for the allotment to the Farm Security Administration from the appropriation made under Title IV of the Bankhead-Jones Farm Tenant Act. A complete statement, covering all funds under this Title, has been included in these notes under the heading "Farm Tenant Act - Liquidation and Management of Resettlement Projects".

(c) LOANS, GRANTS AND RURAL REHABILITATION

The Budget schedule accounts for the allotment to the Farm Security Administration from the appropriation made under Section 2(a) of the Emergency Relief Appropriation Acts, fiscal year 1941, and under Loans, Grants and Rural Rehabilitation for the fiscal year 1942 and 1943. A complete statement covering all funds under this item has been included in these notes under the heading "Loans, Grants and Rural Rehabilitation".

(d) DEVELOPMENT OF WATER FACILITIES, ARID AND SEMI-ARID AREAS

The budget schedule accounts for the allotment to the Farm Security Administration from the appropriation under this head. A complete statement covering this appropriation has been included in these notes under the heading "Development of Water Facilities, Arid and Semi-Arid Areas, Department of Agriculture".

(e) CONSTRUCTION, WATER CONSERVATION AND UTILITY PROJECTS (ALLOTMENT TO AGRICULTURE)

The Budget schedule accounts for the allotment to the Farm Security Administration from the Appropriation "Construction, Water Conservation and Utility Projects, Department of the Interior" for the acquisition of land for the Saco Divide and Buffalo Rapids Water Conservation and Utility Projects. Funds included in this account were allotted during the fiscal year 1941 and are to be expended during the fiscal year 1941 and 1942. It is not anticipated that any additional funds will be allotted during the fiscal year 1943.

(f) WATER CONSERVATION AND UTILIZATION PROJECTS

The budget schedule accounts for the allotment to the Farm Security Administration from the transfer from the appropriation "Water Conservation and Utility Projects, Department of the Interior". The complete statement covering all funds under this item has been included in these notes under the heading "Water Conservation and Utilization Projects."

(g) EMERGENCY FUND FOR THE PRESIDENT, DEFENSE HOUSING, TEMPORARY SHELTERS (ALLOTMENT TO AGRICULTURE)

The Budget schedule accounts for the allotment to the Farm Security Administration from the appropriation "Emergency Funds for the President, Defense Housing, Temporary Shelters".

Under the "Urgent Deficiency Appropriation Act, 1941" (H.R. 3204), approved March 1, 1941, and the "Additional Urgent Deficiency Appropriation Act, 1941" (H.R.466), approved on May 24, 1941, funds were appropriated to enable the President, through such agencies of the Government as he may designate, to provide temporary shelter, either by the construction of buildings or otherwise, in localities where by reason of national defense activities a shortage of housing exists, as determined by the President, and where it is not practicable, under existing law or through private enterprise, to meet the immediate need for emergency housing.

Pursuant to Executive Order No. 8632, dated January 11, 1941, and the Regulations Governing Defense Housing Coordination, dated the same day, the Coordinator of Defense Housing is responsible for determining the need for temporary shelter, designating the types and number to be used at specific locations, to estimate the duration of use for each locality, and to recommend to the President the agency of government to execute the program.

Based upon the findings and recommendations of the Defense Coordinator, the President has allotted funds to, and designated the Farm Security Administration, Department of Agriculture, to develop and construct temporary shelter facilities.

SPECIAL ACCOUNT

(h) EMERGENCY FUND FOR THE PRESIDENT, DEFENSE HOUSING, TEMPORARY SHELTERS (ALLOTMENT TO AGRICULTURE) MAINTENANCE, ETC.

This Budget schedule covers funds provided for by the "Urgent Deficiency Appropration Act, 1941", approved March 1, 1941 (Public Law 9, 77th Congress), under which receipts derived from the operation of temporary shelter facilities on defense housing projects are covered into the United States Treasury and constitute a special fund which is available to the Farm Security Administration for maintenance, etc., of such

facilities, including administrative expenses, incurred in connection therewith, in localities where by reason of national defense activities a shortage of housing exists. Receipts and obligations hereunder for 1941 and estimated for 1942 and 1943 are as follows:

	Receipts	Obligations
1941.....	$3,150	$3,150
1942.....	1,407,336	1,228,278
1943.....	2,355,766	1,807,540

TRUST ACCOUNT
(i) PAYMENTS IN LIEU OF TAXES AND FOR OPERATION AND MAINTENANCE OF RESETTLEMENT PROJECTS

This Budget schedule covers funds provided for by Section 3 of the Act of Congress approved June 29, 1936 (40 U.S.C. 431-434), under which receipts derived from the operation of any resettlement project or any rural rehabilitation project for resettlement purposes are covered into the United States Treasury and constitute a special fund, which is available to the Farm Security Administration for payments in lieu of taxes to states, political subdivisions, and local taxing units and for any other expenditures for operation and maintenance (including insurance) of such projects. The receipts made available are used, as provided for under the Act, to make payments in lieu of taxes, to defray the costs of insurance, and for operating, maintenance and special miscellaneous expenses on resettlement projects and rural rehabilitation projects for resettlement purposes. The inter-relationship of this appropriation with other project items is outlined in these notes under the heading "Liquidation and Management of Resettlement Projects". Receipts and obligations hereunder for 1939,1940, and 1941, and estimated for 1942 and 1943 are as follows;

	Receipts	Obligations	
		Payments in lieu of Taxes	Others
Balance, 7/1/38....	$719,097		
1939.....	1,497,896	$730,207	$748,536
1940.....	2,589,272	678,750	1,116,321
1941.....	2,232,558	762,270	1,544,319
1942.....	2,300,000	757,940	2,000,160
1943.....	2,250,000	741,800	2,123,600

TRUST ACCOUNT
(j) STATE RURAL REHABILITATION CORPORATION FUNDS

The Budget schedule covers funds arising out of agreements with State Rural Rehabilitation Corporations. Under the rural rehabilitation program of the Federal Emergency Relief Administration, providing grants to the states, there was established in a majority of the states (during 1934 and 1935) a State Rural Rehabilitation Corporation to Administer the rural rehabilitation program in each state. These corporations, acting through

their respective directorates, have entered into individual agreements with the United States Government, whereby their assets and liabilities have been transferred in trust to the Government to be made available as a revolving fund for rural rehabilitation purposes within the respective states.

The assest transferred and all assets subsequently collected on behalf of the corporations have been deposited in special trust fund accounts in the Treasury of the United States and have been administered by the Farm Security Administration, on behalf of the Secretary of Agriculture, in accordance with the terms of the transfer agreements. Since the dates of transfer of the assets of each state corporation, the Farm Security Administration has endeavored to convert excess assets of the corporations into cash and to collect as much as reasonably possible on outstanding loans and other accounts receivable. Funds thus made available for rural rehabilitation purposes have been used for the payment of outstanding obligations and new obligations incurred for the development of corporation property and for the making of rehabilitation loans to corporation borrowers. The same disposition will be made of funds received during the fiscal year 1943.

Since the dates of transfer of the assets of each state corporation, the asset items more easily liquidated have been liquidated and the proceeds therefrom, together with the previously acquired balances, are being used for rural rehabilitation. A large portion of these rural rehabilitation activities require long-term investment of corporation funds. It is estimated that the collections during the fiscal year 1943 will be considerably under those during the fiscal year 1942 and will be principally derived from collections of 2- to 5-year loans maturing in part during the latter part of the fiscal year 1942 and during the fiscal year 1943, collections of rents and other income from corporation property, and collection of the more difficult delinquent accounts. All amounts collected during the fiscal year 1943, plus the unencumbered balances from preceding years, will be available for the servicing of corporation accounts, the making of a minimum of supplemental loans to already existing corporation loan borrowers, the making of a minimum number of initial loans to new corporation borrowers, the management and maintenance of corporation property already constructed and developed, and other rehabilitation purposes. Receipts and obligations hereunder for 1939, 1940, and 1941, and estimated for 1942 and 1943 are as follows:

	Receipts	Obligations
Balance, 7/1/38.....	$10,231,994	
1939.....	3,725,306	$4,090,092
1940.....	4,367,383	3,584,597
1941.....	2,949,461	2,825,735
1942.....	2,125,000	2,673,635
1943.....	1,750,000	2,539,620

TRUST ACCOUNT

(k) DRAINAGE DISTRICT ASSESSMENTS ON ACQUIRED LANDS

The Budget schedule accounts for the deposit of funds received from vendors of land acquired by the Farm Security Administration, to be held in trust for the payment of drainage taxes assessed against said land, the remainder, if any, to be refunded to the vendor after the last payment has been made. Receipts and obligations hereunder for 1940 and 1941 and estimated for 1942 and 1943 are as follows:

	Receipts	Obligations
1940.....	$22,580	$3,730
1941.....	1,839	- -
1942.....	30,350	21,196
1943.....	- -	2,727

TRUST ACCOUNT

(l) LIQUIDATION OF DEPOSITS RESERVE FOR MAINTENANCE AND REPAIR, LEASE AND PURCHASE AGREEMENTS

The Budget schedule accounts for the deposit of funds received from purchasers of property as deposits to a reserve fund for maintenance and repair of the property, to be held in trust for the purchaser in accordance with the provision of the Lend and Purchase agreement. Receipts and obligations hereunder for 1941 and estimated for 1942 and 1943 are as follows:

	Receipts	Obligations
1941.....	$9,023	- -
1942.....	18,750	$3,000
1943.....	22,500	8,000

PASSENGER-CARRYING VEHICLES

State Rural Rehabilitation Corporation (trust funds)

The replacement of seven (7) passenger-carrying vehicles, as indicated in the estimate, contemplates the trade-in of 1938- and 1939-model vehicles which will have been operated by January 1, 1943, over 60,000 miles each, which is the estimated economical life expectancy. The operating cost is based upon an annual average mileage of 20,000 at $.02 per mile for gasoline, oil, tires, and repairs.

The nineteen (19) old vehicles to be operated and the seven (7) new vehicles to be purchased will be used for the transportation of project personnel such as Project Managers, Project Nurses, Maintenance and Repair men, etc., within the project area of strictly State Corporation projects, in the administration of their official duties.

The passenger-carrying vehicles being operated on projects are furnished to officials of the projects in most instances as individual assignments, and it has been conclusively shown that considerable savings are effected by furnishing Government-owned vehicles to those individuals for project travel rather than to furnish transportation by reimbursing the employee for the use of their personally-owned vehicles. This is due, primarily, to ability, in most instances, to purchase gasoline and oil in tank wagon or drum deliveries at a considerable saving over posted service station prices. Further, storage costs are held at a minimum by the utilization of project storage facilities. Maintenance costs are held at a minimum through the employment of equipment maintenance staffs at the larger projects to service all motorized and mechanized equipment or through the negotiation of favorable local servicing contracts through commercial sources. Taking all these factors into consideration, transportation can be furnished by Government-owned vehicles at projects at a considerably lower rate per mile than would be possible by reimbursement at either a predetermined or actual expense rate for the operation of privately-owned vehicles.

Payments in Lieu of Taxes and for Operation and Maintenance of Resettlement Projects

The replacement of twelve (12) passenger-carrying vehicles, as indicated in the estimate, contemplates the trade-in of 1938- and 1939-model vehicles which will have been operated over 60,000 miles by January 1, 1943, which mileage is the estimated economical life expectancy. The cost figures are based upon sedans costing approximately $750 delivered, station-wagons $950 delivered. It is estimated that approximately 50% of the total purchases will be f.o.b. factory. The trade-in value of each vehicle to be traded in should average about $80. It has been found that because of rural locations and usage, cars used in projects over rough, unimproved

roads are worn out sooner and do not bring as high trade-in offers as do the cars operating from our regional offices. The operating cost is based on an average annual usage of 20,000 miles at $.02 per mile for gasoline, oil, tires, and repairs.

The seventy-two (72) old vehicles to be operated and the twelve (12) new vehicles to be purchased will be used for the transportation of project personnel such as Project Managers, Farm Managers, Maintenance and Repair men, etc., on other than strictly State Corporation projects, within the project area in the administration of their official duties.

The passenger-carrying vehicles being operated on projects are furnished to officials of the projects in most instances as individual assignments, and it has been conclusively shown that considerable savings are effected by furnishing Government-owned vehicles to these individuals for project travel rather than to furnish transportation by reimbursing the employee for the use of their personally-owned vehicles. This is due, primarily, to ability, in most instances, to purchase gasoline and oil in tank wagon or drum deliveries at a considerable saving over posted service station prices. Further, storage costs are held at a minimum by the utilization of project storage facilities. Maintenance costs are held at a minimum through the employment of equipment maintenance staffs at the larger projects to service all motorized and mechanized equipment or through the negotiation of favorable local servicing contracts through commercial sources. Taking all these factors into consideration, transportation can be furnished by Government-owned vehicles at projects at a considerably lower rate per mile than would be possible by reimbursement at either a predetermined or actual expense rate for the operation of privately-owned vehicles.

DEVELOPMENT OF WATER FACILITIES, ARID AND SEMI-ARID AREAS

Appropriation Act, 1942	$500,000
Budget estimate, 1943	202,585
Change from 1942:	
Net reduction in working funds	- 300,000
Additional for administrative promotions	+ 2,585
Net decrease	- 297,415

PROJECT STATEMENT

Projects	1941	1942 (estimated)	1943 (estimated)	Increase or decrease
1. Technical assistance and supervision and administration (Soil Conservation Service)	$245,269	$315,000	$158,725	- $156,275(1)
2. Grants (Farm Security Administration)	32,105	- -	- -	- -
3. Loans (Farm Security Administration)	150,358	150,000	- -	- 150,000(2)
4. Net cost, within-grade promotions	- -	- -	2,585	+ 2,585
Unobligated balance	42,268	- -	- -	- -
Transfers as shown in Budget schedules	30,000	35,000	41,275	+ 6,275
Total appropriation*	500,000	500,000	202,585	- 297,415

* For table showing sources and distribution of funds for entire water facilities program, see page

DECREASES

The decrease of $300,000 in working funds for this appropriation consists of an increase of $6,275 in transfers to other appropriations, and decreases as follows:

(1) A decrease of $156,275 in the project "Technical assistance and supervision and administration" due to the curtailment of planning and supervisory activities incident to the construction of water facilities.

(2) A decrease of $150,000 in the project "Loans," contemplating the discontinuance of loans previously made from this appropriation.

CHANGE IN LANGUAGE

The estimates for this item include a proposed change in language, as follows (deleted matter enclosed in brackets):

> To enable the Secretary of Agriculture to carry into effect the provisions of the Act entitled "An Act to promote conservation in the arid and semiarid areas of the United States by aiding in the development of facilities for water storage and utilization, and for other purposes", approved August 28, 1937, as amended (16 U.S.C. 590r-590x, 590z-5), including [the employment of persons and means in the District of Columbia and elsewhere; and] the purchase, exchange, operation, and maintenance of passenger-carrying vehicles, $202,585, of which not to exceed $11,000 may be expended for personal services in the District of Columbia[: Provided, That not to exceed $50,000 of this appropriation shall be available for expenditure for any one project designed in whole or in part to benefit lands by the irrigation thereof, and all project facilities and appurtenances which depend for their utility in whole or in part upon each other or upon any common facility shall be deemed one project, and the authority contained in said Act shall not be deemed to authorize the construction of any project not in accord with this limitation].

The first proposed change in language eliminates the duplicate statement of authority for the employment of persons and means in the District of Columbia.

The second clarifies the appropriation language by elimination of the provision in the appropriation act which limits the expenditure for any one project designed in whole or in part to benefit lands by irrigation to $50,000, since the same limitation by amendment has been made a part of the substantive Act, as follows: "Section 7. On any one project undertaken pursuant to the Act of August 28, 1937, entitled 'An Act to promote conservation in the arid and semiarid areas of the United States by aiding in the development offacilities for water storage and utilization, and for other purposes' (50 Stat. 869), as amended and supplemented, expenditures for the construction, maintenance, operation, rehabilitation or financial assistance of any one project, shall not exceed $50,000 of Federal funds whether appropriated or allotted or both. All project facilities and appurtenances which depend for their utility in whole or in part upon each other or upon any common facility shall be deemed one project within the meaning of this section." (From Public No. 848--76th Congress, approved October 14, 1940).

WORK UNDER THIS APPROPRIATION

Objective: The improvement of the welfare of people carrying on and associated with farming and ranching in the arid and semiarid portions of the West by means of the development and wise use of water and land resources.

The problem and its significance: The wastage and inadequate development and utilization of water resources on farm, grazing and forest lands is a problem of major importance in the arid and semiarid areas of our western States. This problem is significant in that it contributes to the destruction of

national resources, injuries to public health and public lands, droughts, periodic floods, crop failures, decline in standards of living, and excessive dependence on public relief.

More specifically the problem has several interrelated aspects. There is need for assistance in making adjustments in the use of present water supplies on many of these small projects as well as in the development of supplemental supplies and the rehabilitation of existing facilities. An important part of the irrigation and other water developments in the West has been accomplished by private initiative.

In many areas of the western United States, the quantity, quality and availabilit of water for irrigation, livestock and domestic use is more frequently the primary limiting factor to agricultural development and stability than is lack of good soil.

Many farmers and ranchers have been forced to leave their homes because they were unable to develop available water resources so as to use their land properly. Others are today barely subsisting or are on the verge of being forced out for the same reasons. Still others, more favorably situated, lack opportunities to improve their conditions. In many localities water and soil resources are adequate to support permanently a livestock economy but are inadequate for a more diversified type of farming to which the land is adaptable Stock watering facilities well distributed over the range will encourage improved distribution of grazing; potable water for livestock and farmstead use needs to be made available close to farm or ranch buildings; and supplemental water is necessary to produce the feed crops required for winter and drought period feeding.

All or considerable portions of some farms and ranches are devoted chiefly to producing cash and feed crops. On these farms there is particular need for a sure and continuous supply of water for irrigation use throughout the growing season, and need, too, for advising farmers as to more effective methods of applying available irrigation water. There is frequently an over-abundance of water for crop needs in the early part of the irrigation season. Additional and improved facilities for storing spring run-off water would reduce water-logging of poorly drained areas and serious erosion of steeper land which occurs because farmers try to compensate for lack of storage facilities by excessive irrigation in the spring. Such facilities would also serve to assure the maturing of crops by providing a more adequate water supply during critical periods in the later part of the growing season.

Many individual farmers and irrigation organizations are requesting assistance in obtaining the transfer of rights to use of water on land where it can be more beneficially used. In addition to financial assistance this frequently involves technical guidance in effecting business reorganization and consolidation of irrigation companies for more efficient management.

Throughout the arid and semiarid areas, there is need for engineering service and supervision in connection with construction and rehabilitation of small storage reservoirs, distribution systems and other facilities. In the past many small water facilities on good sites have been improperly constructed. The improvement of such facilities is essential to their continued use. There is need for engineering and other technical services in connection with

the rehabilitation of small facilities originally constructed on good sites, in order that they may continue to function effectively and economically. Also, many farmers and ranchers lack the engineering experience to recognize existing opportunities for water storage or utilization, and to develop, in an effective manner, opportunities which they have long believed held promise.

Farmers and small irrigation organizations whose water diversion and distribution systems are at times destroyed or damaged by floods need a source of assistance adapted to help them meet such emergencies.

The lack of capital and of relatively long-time credit at a reasonable rate have resulted in the improper construction and installation of many facilities and in the improper maintenance and repair of some facilities that were constructed. For the same reasons many farmers and ranchers have been unable to undertake the construction of new and needed facilities which would be entirely practical and feasible both from the physical and economic points of view. In many cases, also, farmers and ranchers have been unable to operate successfully because of inadequate guidance in the use of their water facilities with respect to farm and home management and wise water and land use. The funds requested under this appropriation item will be used for technical assistance to help alleviate these conditions.

General plan: Under this program farmers are furnished technical assistance in developing, constructing and rehabilitating small water facilities such as stock ponds, reservoirs, wells, distribution systems and spreaders.

As required by the Water Facilities Act, the Secretary utilizes existing facilities of the Department for administration of the program. After investigations to determine the availability of water and the kinds of facilities needed to make the best use of the land for which water supplies are available, operations are authorized in areas outlined primarily on a watershed basis and in which the demand and opportunity for assistance are greatest.

Funds appropriated under this item are used to provide technical planning and supervisory assistance to individual farmers or groups of farmers and other agencies interested in water development and utilization and related land use problems incident to the construction and rehabilitation of small water facilities, the construction costs of which may be financed by means of loans or grants from funds appropriated under "Loans, Grants, and Rural Rehabilitation" and funds made available by the Reconstruction Finance Corporation for water facilities loans to needy farmers.

The following table shows, by sources and distribution of funds, the financing of the total water facilities program for the fiscal year 1942 and estimated for the fiscal year 1943:

Fiscal year 1942

Projects	Water Facilities (direct appropriation)	Loans, Grants, and Rural Rehabilitation: Appropriated funds	Loans, Grants, and Rural Rehabilitation: R.F.C. funds	Total
1. Loans (Farm Security Administration)	$150,000	--	$1,850,000	$2,000,000
2. Grants (Farm Security Administration)	--	$180,000	--	180,000
3. Engineering and inspection (design of facilities, supervision of construction, instruction in operation, etc.) technical assistance where no loan involved, making and servicing of loans, administration, etc.:				
Soil Conservation Service ...	315,000	240,000	--	555,000
Farm Security Administration.	--	240,000	--	240,000
Office of the Secretary	5,000	--	--	5,000
4. Area investigations and planning (Bureau of Agricultural Economics)	30,000	190,000	--	220,000
Total program	500,000	850,000	1,850,000	3,200,000

Estimated, fiscal year 1943

Projects	Water Facilities (direct appropriation)	Loans, Grants, and Rural Rehabilitation: Appropriated funds	Loans, Grants, and Rural Rehabilitation: R.F.C. funds	Total
1. Loans (Farm Security Administration)	--	--	$1,420,000	$1,420,000
2. Grants (Farm Security Administration)	--	$150,000	--	150,000
3. Engineering and inspection (design of facilities, supervision of construction, instruction in operation, etc.), technical assistance where no loan involved, making and servicing of loans, administration, etc.:				
Soil Conservation Service ...	$158,725	--	--	158,725
Farm Security Administration.	--	240,000	--	240,000
Office of the Secretary	5,000	--	--	5,000
Office of the Solicitor	5,000	--	--	5,000
4. Area investigations and planning (Bureau of Agricultural Economics)	31,275	190,000	--	221,275
5. Net cost, within-grade promotions	2,585	--	--	2,585
Total program	202,585	580,000	1,420,000	2,202,585

Examples of progress and current program:

The resulting coordinated water facilities program is designed to help farmers and ranchers to overcome these water storage and utilization deficiencies. It is a technical and financial assistance program which makes available engineering and farm management advice to farmers able to provide their own financing, and, in addition, money for loans, for not to exceed 20 years at 3% interest, to those needing credit. Grants may be made for a portion of the cost when the farmer's income, as shown by his farm and home plan, makes it impossible for him to repay in full.

Water problems in many areas are so complicated that operations should not be initiated without careful advance overall planning. Other areas require little or no advance planning of this type. On June 30, 1941, 199 areas, comprising approximately 551,700 square miles, had been authorized for consideration under the Water Facilities Program. Overall planning reports had been prepared for 342,000 square miles in 107 of these areas. In 20 areas, comprising 48,300 square miles, operations had been authorized without previous area planning because of the relative simplicity of their water problems. Area planning work is under way in the remaining areas totaling 161,400 square miles.

A total of 4,837 families had directly benefited under the program by June 30, 1941.

The tabulation below shows kinds and numbers of separate water facilities constructed and being constructed under the coordinated program, using Water Facilities, Rural Rehabilitation, and Reconstruction Finance Corporation funds:

Kind of Facility	Number of Facilities	Capacity of Facilities
Stock Water Facilities:		
Ponds (new)	276	
Ponds (Rehab.)	117	
Acre-Feet Storage in Ponds		2,661.7
Wells (New)	823	
Wells (Rehab.)	283	
Pumps (New, Power)	285	
Pumps (New, Windmill)	793	
Pumps (Power, Rehab.)	30	
Pumps (Windmill, Rehab.)	242	
Springs	86	
Tanks	1,836	
Irrigation Facilities:		
Dams (New)	172	
Dams (Rehab.)	48	
Acre-Feet Storage Behind Dams		29,147.8
Wells (New)	267	
Wells (Rehab.)	96	
G.P.M. Cap. of Wells		125,823
Pumps (New, Power)	358	
Pumps (New, Windmill)	39	
Pumps (Power, Rehab.)	50	
Pumps (Windmill, Rehab.)	7	
Distribution Systems (New)	676	
Distribution Systems (Rehab.)	268	
Acres Irrigated		131,475

Kind of Facility	Number of Facilities	Capacity of Facilities
Other Facilities:		
Water Spreading Systems	428	
Underground Reservoir Recharging Systems	11	
Total, all kinds of facilities	* 7,200	

* In many cases a cooperator had two or more separate facilities so the total number of facilities is not the same as the total number of families benefiting.

The average total direct cost to each farmer, or group of farmers, and to the Federal Government, for the facilities completed or under construction on June 30, 1941, was $9,565 for each facility which benefited a group of farm families and $662 for each individual farmer's facilities. (Some farmers have two or more.) For all combined the average direct cost was $820.

Furthermore, cooperators have agreed whenever conditions indicated the need, to apply proper water and land use practices for the duration of their debt to the Government, and in all events, for at least five years. In this way the Water Facilities Program not only assists in making available facilities for the development and use of water but also assists in the conservation and wise use of water and land in the interest of a permanent increase in economic resources for the benefit of the people dependent upon them.

PASSENGER-CARRYING VEHICLES

The authorization for the purchase of passenger-carrying vehicles under the appropriation item "Water Facilities, Arid and Semi-Arid Areas" provides for a decrease in the number of cars estimated to be purchased from 12 in the fiscal year 1942 to 10 in the fiscal year 1943. The 10 cars to be purchased in the fiscal year will permit the replacement of 10 vehicles at an estimated total net cost of $7,370, including freight, when exchange allowances on old cars are taken into account.

Due to the nature of the work under this program, which necessitates the visiting of farm operations and inspecting actual construction operations, the travel will be performed mostly in rural areas, not accessible by common carrier, which makes the use of passenger-carrying vehicles indispensable. Departmental experience has proven that the use of personally-owned automobiles on a mileage reimbursable basis where continuous and extensive use is involved, is more expensive than the use of Government-owned automobiles.

It is estimated that the vehicles used in this program average between 15,000 and 20,000 miles per year. The cars used in this program are operated over unusually rough terrain. Past experience has proven the advisability of purchasing new cars to replace those which have attained approximately 60,000 miles.

COOPERATIVE FARM FORESTRY

Appropriation Act, 1942	$700,000
Budget estimate, 1943	700,000

PROJECT STATEMENT

Projects	1941	1942 (estimated)	1943 (estimated)
1. Cooperation with States in the procurement, production and distribution of forest tree and shrub seeds and plants for farmers (Forest Service):			
Clarke-McNary Act, Section 4	$80,962	$83,700	$83,700
Noris-Doxey Act	39,280	39,300	39,300
2. Cooperation with States for extension activities in development of farm forestry (Extension Service):			
Clarke-McNary Act, Section 5	63,437	65,200	65,200
Norris-Doxey Act	39,463	41,800	41,800
3. Cooperation with States in carrying out farm forestry operations, including intensive projects and technical service to farmers and to legally competent and adequate organizations of farmers:			
Norris-Doxey Act:			
Forest Service	18,189	20,982	20,982
Soil Conservation Service	125,334	129,018	129,018
Total, Project 3	143,523	150,000	150,000
4. Farm forestry investigations (Forest Service)	19,984	20,000	20,000
5. Prairie States Farm Forestry:			
Norris-Doxey Act:			
Forest Service, 1942; Soil Conservation Service, 1943	- -	298,000	298,000
Transfer to Office of Secretary (Land Use Coordination) for planning and coordination of shelterbelt program	- -	2,000	2,000
Total, Project 5	- -	300,000	300,000
Subtotals:			
Clarke-McNary Act, Sections 4 and 5	144,399	148,900	148,900
Norris-Doxey Act	242,250	551,100	551,100
Unobligated balance	13,351	- -	- -
Total appropriation	400,000	700,000	700,000

WORK UNDER THIS APPROPRIATION

General: The estimate for carrying on Cooperative Farm Forestry work covers two main types of activity: $400,000 to be used, as at present, for general educational work, production and distribution of seedlings, research, the intensive woodland management demonstration projects, etc; and $300,000 to be used for the continuation of shelterbelt planting and establishment work in the prairie-plains region.

Objective: To provide for cooperation being requested by states in the furtherance of farm forestry; specifically, to aid States: (1) to produce or procure and distribute forest tree planting stock to farmers; (2) to provide supervision and cooperation in extension activities in farm forestry; (3) to facilitate improvement in the development and management of farm woodlands as an integral part of the farming business through application of complete management plans on representative groups of farms in the various farm forestry problem areas, including the furnishing of technical services to farmers in woodland management, harvesting, utilization and marketing of farm woodland products; (4) to make investigations of technical farm forestry problems; and (5) to cooperate with farmers in establishing shelterbelts in the prairie-plains region.

The problem and its significance: The preservation and development of the producing ability of farm woodlands through better management is fundamental to sound farm management. Nearly one-quarter of all the land in farms, and over three and a half million farm families are involved. About 235 million acres of farm land are believed to be best suited for permanent use as farm woodlands. Approximately 185 million of these acres are now growing trees and 50 million acres should be planted. Much of the area now forested is sparsely stocked with trees or supports trees of inferior quality. Under present woodland management practices the stand and quality of trees on most of these lands is inadequate to yield the continuous income which should rightly come from this farm resource.

Improved land use requires that large areas of farm lands be converted from cultivated crops to permanent vegetation. In many cases the production of woodland crops is the best use for such lands. Some 15 million acres in the South, which were formerly or are now used for cotton production, are in large part best adapted for the production of forest products. In the central west and prairie-plains regions, the demonstrated value of protective plantings, especially during the recent years of drought and consequent hardships, has greatly increased the demand for trees. There is an outstanding need for shelterbelts to conserve soil and moisture, protect crops and livestock, provide fuel and wood for farm use, and otherwise make the region a better place in which to live. It is cases such as these that, in the aggregate for the United States as a whole, make up the 50 million acres of farm land which should be planted to woodland in the best interest of farms and farmers as well as of the general public welfare. In addition, some of the existing 185 million acres of farm woodlands should be reinforced by interplanting to bring them up to the production capacity they are capable of. Every year that tree planting is delayed on such areas represents a material loss to the national income.

Under intensive farm woodland management the value of farm woods products which can be harvested annually can be increased to double the quarter billion dollars worth cut in 1929 (the last year for which figures are available). The cash income to farmers from the sale of farmwoods products is susceptible to a still greater increase if the farmers will log and haul their woodland crops to points of shipment, thereby utilizing farm labor now seasonably idle. Development of better marketing methods and facilities will also add considerable to the value of products sold.

Improved markets for lumber and other forest products as a result of war needs are resulting in overcutting of farmwoods in many parts of the country. The rate and the degree of damage resulting to farmwoods is appalling. In many localities the woods are clear-cut and so destroyed for future production. This problem is immediate and important and early action towards its alleviation is imperative if the farmwoods are to remain in the picture as a producing part of the farm.

Farmers need to be informed in such manner that they obtain an appreciation and understanding of the production methods to be followed and to the value of farm woodlands in the farming business. They need to be awakened to an attitude of conservative handling of their farm woodlands. They should be reached, through personal contacts, group meetings, demonstrations and other methods, with forestry information that will stimulate their interest and make them aware of ways and means by which farm income may be increased through application of better forestry practices. They should be furnished technical assistance to make them confident that practices they are willing to adopt are properly applied. For example, the proper appraisal as to quantity and value and the marketing of farmwoods products is a field about which the average farmer has little information as compared to his knowledge of the appraisal and marketing of grain, livestock, and other farm crops. In many sections of the country trees suitable for making saw-logs, piling, and pulpwood are being sold for a fraction of their real value and at a considerable loss to the future producing power of farm woodlands because farmers lack knowledge of the quality and value of various trees and the products that may be obtained from them. They are unfamiliar with proper harvesting and marketing procedures. The operations of pulpwood users, now increasing rapidly in the South, emphasize farmers' need for such information.

General plan: The Federal cooperation under this appropriation, in the production and distribution of forest trees and shrubs conducted by the Forest Service, is provided to the State agencies (State forestry commissions, departments, etc.) by means of reimbursement after the work has been performed and paid for by the State. 42 States and 2 Territories are actively cooperating in this undertaking. Assistance to the individual States in the production or procurement of planting stock is limited to forest planting stock for field planting. No ornamental or shade trees are produced or distributed under the program. In addition to helping supply the regular farmer demand, the facilities of the project are available to the States for participation in tree-planting programs in connection with CCC work, soil and water conservation work, flood control work, and other tree-planting activities under work-relief programs.

Extension Service activities under this appropriation are conducted in cooperation with State Agriculture Extension Services, as a means of reaching the maximum number of farmers. Federal funds are matched by at least an equal amount of State funds expended for the same purpose, thereby doubling the effectiveness of Federal expenditures.

Assistance to farmers in bringing about the improvement of farm woodlands as continuous income producers requires the integration of research, education and technical assistance to individaual farmers in a concerted effort. Interested State Forestry Departments and State agricultural colleges in each of 45 states, in cooperation with Department representatives, have organized for such an attack on the farm forestry problems. Progress is being made in developing programs in the remaining 3 States. The State programs outline the need for studies to develop sound farm woodland management plans, the best methods of harvesting, manufacturing, and marketing the products from farm woodlands; and for the intelligent integration of these processes with the demand for forest products. Approximately 150 intensive forestry demonstration projects are estimated to be needed to illustrate the effect in the woods of applying good forestry practices. There are 47 such projects under way in 36 States and requests from States for assistance in establishing approximately 40 additional projects have been received.

Research work is carried on by the Forest Service in cooperation with State Agriculture Experiment Stations which supply contributions at least equal in value to the Federal allotments. Proposals for cooperative research projects are submitted by the States covering those subjects of most significance to their local forestry problems.

At least 3,500,000 farms include woodland acres capable of producing forest products. Most of the farmers on them are in need of individual assistance in the type of management, harvesting, utilization, and marketing best suited to their particular woodlands. The Department proposes to help extend technical aid and assistance on a broad base, so farmers in areas of heavy timber demand may be given technical aid at the time they undertake cuttings in their woodlands.

An increasing number of individual farmers and groups of farmers are realizing the need for improvement in the management of farm woodlands and for organized marketing facilities in order to increase, stabilize, and perpetuate the production of marketable farmwoods crops. These farmers are seeking the aid of public agencies in supplying technical forestry services to assist them in attaining those objectives. The funds requested under this item will be used to help furnish such aid.

Examples of progress and current programs:

1. Cooperation with States in the procurement, production and distribution of forest-tree and shrub seeds and plants for farmers. (Forest Service)

Under authorization of Section 4 of the Clarke-McNary Law, and the Cooperative Farm Forestry Act, Federal assistance and cooperation in the production and

distribution of forest planting stock were continued with 42 States and 2 Territories. Stock distributed was used for establishing windbreaks and woodlands upon denuded or non-forested farm lands.

During the calendar year 1940 over 87 million forest tree seedlings were produced and sold to landowners by cooperating State forestry agencies, at less than the cost of production and distribution.

Georgia led all other States in the number of forest trees distributed under this program with over 13 million. New York was second with over 9 million. Michigan and South Carolina each produced over 7 million.

The States spent $541,731 last year on this cooperative project, of which $123,000 was provided by the Federal Government, and the major portion or 78 percent by the States themselves from State funds.

2. Cooperation with States for extension activities in developing farm forestry. (Extension Service)

Forestry subject matter and information on teaching methods and procedures are made available to State Extension Services whose forestry specialists, as leaders of the State farm forestry extension projects and working with the county agricultural agents, influence farmers to adopt improved woodland management and marketing practices and thereby increase their cash income.

Under the Clarke-McNary Act the educational work of State extension foresters and county agricultural agents has been a means of quickening the interest of farm owners in forestry problems, in helping gain recognition by farmers of the substantial contribution that woodlands can make to the farm income and in inducing farmers to adopt improved woodland management practices. An increasing number of farmers in the cooperating States are improving their timber stands through weeding, thinning, and selective cutting operations, in accordance with recommended practices. Also, farmers are coming to appreciate the importance of estimating merchantable timber before trying to sell it and the increased income derived from marketing farmwoods products on a unit basis by a bidding procedure. Forest tree plantings by adults and juniors stimulated by extension efforts involved upwards of 60,000,000 trees and continued as a major activity. Extension foresters and county agents cooperate in carrying on the intensive demonstration projects and have responsibility for the educational phases of the work.

3. Cooperation with States in conducting intensive farm forestry demonstration projects. (Forest Service and Soil Conservation Service)

The phase of the Cooperative Farm Forestry Program concerned with the operation of intensive forestry projects has made substantial progress during the 1941 fiscal year. On these intensive projects, established in cooperation with State agencies, to develop actual facts and figures on the value of well managed farm woodlands in the farm economy, material assistance has been given cooperating farmers in applying good forestry practices and in marketing farmwoods products. A qualified project forester is assigned to each project. It is his job to assist cooperating farmers in the technical phases of properly managing their woodlands.

Forty-five States have submitted State programs which have been accepted by the Department as constituting a satisfactory basis for cooperation. Forty-seven projects have been established in 36 States, of which 38 are farm forestry projects for which the Soil Conservation Service is responsible and 9 are forest farming projects for which the Forest Service is responsible. Of these, seven farm forestry and two forest farming projects were established during the 1941 fiscal year.

Twenty-six States have one farm forestry project each and six States (California, Indiana, Minnesota, Mississippi, Missouri, and West Virginia) have two farm forestry projects apiece. Eliminating from consideration four projects recently established, reports essentially complete for the remaining 35 projects indicate that woodland management plans have been prepared for over 500 farm-woods totaling in excess of 51,000 acres. Improvement or harvest cuts have been performed on over 4,100 acres and about 1,700 acres have been planted to trees. Over 50 miles of fence and 39 miles of firebreaks have been constructed for protection of farm woodlands. The value of farmer contributions determined from prepared schedules of value equivalents show that farmers have accomplished work on their farm woodlands and in planting, fencing, and other activities relating strictly to the farm forestry project phase of the program in excess of $30,000. Progress is being made in the accumulation of essential basic data necessary for the orderly prosecution of a national farm forestry program. Of the total amount of cash expenditures and other contributions applied toward farm forestry projects during 1941, the Federal Government contributed 35 percent, the States 54.4 percent and the farmers 10.6 percent.

At the beginning of fiscal year 1941 there were seven forest farming projects in operation, one each in the States of New York, New Hampshire, Alabama, Florida, Georgia, Texas, and Louisiana. During the year two new projects were established, in Maryland and in Vermont. The work accomplished on the Essex County, New York project is a good example of the type and amount of services performed by the project forester for the farmers. On this project sixty owners have entered into agreements covering the proper management of 11,500 acres of woodland, all of which has been covered by a reconnaissance survey. One tract of 6,000 acres was cruised by a consulting forester in cooperation with the project forester. Eight hundred and fifty thousand feet of timber were marked for selective cutting and 377 thousand feet scaled. In addition, the project forester marked 110 cords of birch and 45 acres of woodland for fuelwood. A forest products cooperative has been started in connection with this project and during the year has been quite active. This cooperative works very closely with the GLF Coop. sawmill at Crown Point, New York. Through this tie, the cooperative has been able to sell the products of any member who decided to cut. All products were cut selectively.

Following is a statistical summary showing the status of intensive forestry demonstration projects and accomplishments for the fiscal year 1941:

Item	Type of Project (a) Farm Forestry	(b) Forest Farming	Total
1. Number of projects as of June 30, 1941	38	9	47
2. Projects established during fiscal year 1941	7	2	9
3. Cooperative projects (50 percent or more of expenses paid by State)	12	8	20
4. Partly cooperative (State pays less than 50 percent of expenses)	12	-	12
5. Federally administered projects (State offsets other than cash)	14	1	15
6. Number of States cooperating	33	9	36
7. Number of States with one project	-	-	23
8. Number of States with two projects	-	-	12
9. Number of farmers cooperating	603	94	697
10. Number of farm woodlands planned	516	94*	610*
11. Acres involved in Item 10	49,939	31,093*	81,032*
12. Acres represented by timber cruise	33,391	19,324	52,715
13. Acres properly cut	4,102	1,707	5,809
14. Acres planted	1,702	81	1,783
15. Planting stock furnished by Government	859,502	-	859,502
16. Planting stock furnished by cooperators	552,189	-	552,189
17. Miles of fence built	52	-	52
18. Number of farmers working in woodlands on			
a. Planting	256	-**	256
b. Cutting in woods	185	-**	185
c. Other work	96	-**	96

* Either completed or in process of completion
** Not reported

As the intensive forestry projects constitute a program to procure essential data over a period of time to show the value of well managed farm woodlands in the farm economy, there will be no significant changes in emphasis from the program of work carried on during the 1941 fiscal year.

4. Farm forestry investigations. (Forest Service)

Research in farm forestry furnishes technical information as a base for the profitable sustained yield management of farm woodlands. This work is done in cooperation with State Experiment Stations which supply State funds or their equivalent in amounts at least equal to Federal allotments. Such cooperative research projects were submitted by State Experiment Stations for the fiscal year 1941 with matching funds or their equivalent to equal four times Federal funds available. Because of reduction in funds it has been necessary during the year to reduce the projects in several States. Two projects were completed and closed out. Current accomplishments and programs under this unit are illustrated by the following examples:

Alabama. Farm woodland owners have been furnished preliminary recommendations as to how to manage pine stands. Studies show that at least three good seed trees per acre are necessary. Natural reproduction is best where the pine crown density is less than 40 percent, and hardwood crown density less than 15 percent, with understory competition less than 20 percent. Seeding is best on mineral soil. Light fire and grazing will not prevent successful pine regeneration and may be permitted, but for best results both should be excluded from the time the seed falls until young stands are well established. Studies how to increase the percent of valuable pine are being continued.

Connecticut. A wood burning stove has been adapted to utilize low grade or other inferior types of wood and at the same time produce more and steadier heat with less fire hazard than with the usual type of stove. The work is being continued to develop utilization of low grade wood material for fuel in industrial heating installations. Various types of processing are being developed such as "hogged wood", etc.

Mississippi. Recommendations on how to make improvement cuttings in bottomland hardwoods have been made available to farm woodland owners in the Delta section. These recommendations embody simple guides as to what species and kind of trees to cut, what to leave, and what products will give the greatest returns. This is a complex problem needing considerable additional study in view of the great variation in local conditions and stand composition. Specific information has also been made available to owners in this region on how to plant cottonwood. Specific information on planting techniques, time of planting, the use of wild seedlings and cuttings for planting stock, spacing, etc., is now available and although the final answers have not yet been worked out, specific improvement on past practices have already been made.

Illinois and New York. Information on distribution of farm woods, species composition, growth rates, etc. have furnished guides on practical farm woodlot management plans in restricted areas of these two States. These projects have now been closed.

Lake States. Work continues in Michigan on local utilization and marketing studies for farm woodlands, in Minnesota on wood requirements on farms, and in Wisconsin on comparative returns from wood and pasture.

5. Prairie States forestry project (Forest Service, 1942; Soil Conservation Service, 1943)

This project operates in the States of North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, and Texas. From its inception in the fiscal year 1935 until the current fiscal year it has been conducted by the Forest Service entirely on emergency funds, made available since July 1, 1936, through the Work Projects Administration but no longer available for Federal projects after January 1, 1942. After that date, any W.P.A. assistance in this program will be through the W.P.A. programs of the several States. (See last paragraph) For the fiscal year 1942, $300,000 was appropriated to assist in carrying it on. The primary work of this project is the production or procurement of planting stock and the planting and establishment of shelterbelts, in cooperation with farmers and various agencies, to assist in improving and making more stable the physical economic, and social welfare aspects of the prairie-plains region.

Transfer to supervision of Soil Conservation Service

Effective July 1, 1942, the Department expects to transfer responsibility for supervision of the project from the Forest Service to the Soil Conservation Service. This transfer will consolidate in one agency the supervision of shelterbelt planting activities carried on cooperatively with individual farmers with the supervision of related conservation services to the farmers of the prairie-plains area. Where soil conservation districts are organized and functioning, and district governing bodies are willing to assume responsibility for local handling of the work, it is planned to turn that responsibility over to them as rapidly as possible, to be carried on with the cooperation of the Soil Conservation Service. Where soil conservation districts are not organized and functioning, it is planned to continue the work on much the same basis as at present but under Soil Conservation Service supervision. As additional soil conservation districts request assistance it is planned to arrange with them for the local handling of the work.

Such a plan will result in a gradual shift of the shelterbelt work from its present status to a regular feature of the Soil Conservation Service. Any funds thus released will be used in other parts of the country to provide technical assistance to farmers who are in need of such assistance in the management of their farm woodlands, particularly in the South where there is urgent need for intensification of such work.

Progress of the Shelterbelt Program

Since 1935 the project has planted approximately 17,000 miles of shelterbelts, 5 to 10 rows wide, on over 27,000 farms and over 95 percent of these shelterbelts are being maintained by the farmers and progressing satisfactorily toward complete establishment. Most of the early plantings, that is, those planted in 1935, 1936, 1937 and 1938 are already providing protection to soil and crops and otherwise contributing to the welfare of the farmer and community. About 190 million trees, including replacements, have gone into the planting of the shelterbelts to date. Most of the trees for planting have been produced in Government-operated nurseries of which there were 11 as of June 30, 1941. As a work relief project, it has provided 168,970 man-months of work through fiscal year 1941.

In the fiscal year 1941 the shelterbelt project accomplished the following:

Miles of shelterbelts planted (Shelterbelt 5 to 10 rows wide)	2,703
Number of farms served	4,696
Number of trees planted	32,985,104
Number of acres planted	27,030
Number of acres of farm land given primary protection by the above planting	432,480
Man-months of labor provided	27,637

The following amounts of Federal project W.P.A. funds were allotted for fiscal years 1941 and 1942 for the employment of temporary labor and the purchase of supplies and other miscellaneous services for the general advancement of the program throughout the Prairie States region. W.P.A. funds will no longer be available on a Federal agency project basis after January 1, 1942.

	Allotments, F.Y. 1941	Allotments F.Y. 1942 (available until 1/1/42)
W. P.A. allotments (Forest Service) for expenses of the Prairie States Forestry projects in North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, and Texas	$2,087,100	$747,923

PASSENGER-CARRYING VEHICLES

The authorization for the purchase of passenger-carrying vehicles under "Cooperative Farm Forestry" provides for a decrease in the number of cars estimated to be purchased from 12 in the fiscal year 1942 to 11 in the fiscal year 1943. The 11 cars to be purchased in the fiscal year 1943 will permit the replacement of 4 vehicles at an estimated average net cost, including freight, of $700 per unit when exchange allowances on old cars are taken into account, or a total net cost of $7,700.

Because of the wartime needs of the country, authorization is not requested for the procurement of all units needed. The use of the passenger-carrying vehicle is practically indispensable for the proper conduct of the Department's varied activities throughout the country. The common carrier is not well suited to this work, as the work is generally performed in areas where public transportation is inadequate. Form the experience of the Department it has been found that Government-owned passenger-carrying vehicles, where continuous and extensive use is involved, can be operated and maintained with less cost to the Government, including depreciation, than personally-owned cars on a reimbursement basis. The replacement of the vehicles contemplated by these estimates, therefore, is essential to carry on the work of the Department in the most economical and advantageous manner possible.

ORCHARD REHABILITATION LOANS

Third Supplemental National Defense Act, 1942, approved December 17, 1941.... .... $ 1,000,000

Budget Estimate, 1943..... ---

PROJECT STATEMENT

Project	1941	1942	1943	Increase or Decrease
1. Orchard Rehabilitation Loans		$ 600,000	$ 300,000	$ -300,000
2. Administration		60,000	40,000	- 20,000
Total		660,000	340,000	- 320,000
1942 balance available in 1943		+ 340,000	-340,000	-680,000
Total appropriation		1,000,000	---	-1,000,000 (1)

(1) Obligations under the special appropriation of $1,000,000 provided in the fiscal year 1942 during the fiscal year 1942 and 1943 are estimated as indicated in the foregoing project statement.

LEGAL AUTHORIZATION

This work which is being handled by the Farm Credit Administration, is provided for by the following item contained in the Third Supplemental National Defense Act, 1942:

> Orchard rehabilitation loans: To enable the Secretary of Agriculture to make loans, under such terms and conditions as he may deem appropriate, for the purpose of enabling the borrowers to rehabilitate orchards in the States of Kansas, Missouri, Nebraska, and Iowa which were destroyed or damaged as a result of the extremely cold weather in such States in November 1940, $1,000,000.

WORK UNDER THIS APPROPRIATION

General:

A long established commercial orchard industry, along both sides of the Missouri River from above Omaha to below Kansas City, was severely damaged by extremely cold weather about November 11, 1940. Damage was also done to commercial orchards in smaller areas in the Arkansas Valley of Kansas, in the Des Moines Valley near Des Moines, Iowa, and in the Mississippi and Des Moines valleys near Burlington and Keokuk, Iowa. These orchards were for the most part apples, although there were extensive plantings of sour cherries in southeastern Nebraska and considerable acreages of peaches in Kansas and Missouri. October and early November 1940 were unusually warm and wet in this area, so that fruit trees had not ripened normally. Not only was the new growth green and sappy, but the growing layer of the tree trunks was full of sap. A severe blizzard struck this area on November 11 and succeeding days with temperatures in many cases dropping far below zero. This extreme cold froze the sap in the growing layer, splitting the bark and killing or severely injuring a large part of the trees. Some orchards were entirely destroyed, while others were damaged to only a limited degree, depending largely on the exposure.

The problem:

The situation of these orchardists varied widely, some farmers having practically their entire acreage in orchards, while others conducted their orchard enterprise as part of a general farm operation. Some of the orchardists were free of debt, while others were heavily involved. Many of them were able to provide for the removal of the trees and for such replanting as they desire to do from their own resources or from ordinary sources of credit. A considerable number, however, were left without a source of income and without means of financing tree removal, planting of new orchards, and providing family living until the new plantings come into bearing. And it is to aid this latter group that the appropriation of $1,000,000 was provided.

Plan of work:

The financing of orchard rehabilitation will be conducted on an individual case basis and only such part of it as cannot be financed in other ways will be financed from the special appropriation. Each orchardist will be required to finance such portion of the rehabilitation as he can from his own resources or from loans granted by the Federal land banks, the Federal Farm Mortgage Corporation, or commercial sources. Loans from the million-dollar fund will be supplemental and, in some cases, may have to be set up on a basis where no principal repayment would be expected until the new orchard comes into bearing, perhaps in 10 years. In certain cases it may even be necessary to defer payment of interest. In each case, the best security possible would be obtained, but generally lien will be junior to existing liens or to those given to secure loans by other agencies to finance a part of the rehabilitation. In every case, however, holders of prior liens will be required to enter into standstill agreements not to foreclose their liens without the consent of the Secretary of Agriculture or his representative. In other words, it is expected that the loan fund will be used to give the greatest possible assistance to the orchardists rather than to benefit other lienholders.

It is expected that so far as practicable existing organizations and personnel will be used in the administration of this fund, but the payment of some administrative expenses from it will be necessary. It seems likely that most of the loans will be in the Missouri Valley area, as orchard injury in these four States outside that area is much less severe, except in the Arkansas Valley in Kansas. Such information as we have indicates that most growers in the Arkansas Valley will be able to finance such replanting as they wish to do through ordinary credit sources.

At this time, it is impossible to predict definitely the extent of the demand for loans from this fund or the percentage of losses which may be incurred. Because of the character of the security, the long period before new orchards will come into bearing, and the somewhat hazardous nature of the orchard industry, losses may be considerable. However, this orchard area is relatively free from nearby competition and has a considerable advantage over the principal eastern and western fruit areas in supplying a broad territory in the central United States. The orchardists are intelligent, substantial farmers who will make every effort to pay their debts.

RURAL ELECTRIFICATION ADMINISTRATION

Salaries and expenses:

Appropriation Act, 1942	$3,962,375
Second Deficiency Appropriation Act, 1941 (Available in 1942)	300,000
Total available, 1942	4,262,375
Budget estimate, 1943	4,013,798
Changes from 1942:	
Net reduction in working funds	- 255,375
Administrative promotions	+ 6,798
Net decrease	- 248,577

* * * * * *

Loans:

Limitation on borrowing from RFC, 1942	$100,000,000
Limitation on borrowing from RFC, Budget 1943	10,000,000
Decrease in loan limitation	- 90,000,000

PROJECT STATEMENT

PROJECTS	1941	1942 (estimated)	1943 (estimated)	Increase or decrease
1. Lending activities: aiding farmers to perfect their borrowing organizations; investigating feasibility of and making loans for rural electrification	(a) $355,057	$357,000	$185,000	- $172,000 (1)
2. Line building activities: technical assistance to rural borrowers in designing, arranging for the construction of, and constructing their electric systems	466,088	439,000	340,000	- 99,000 (2)

PROJECT	1941	1942 (estimated)	1943 (estimated)	Increase or decrease
3. Loan protection: safeguarding Government Loans:				
a. Through management assistance: assistance to rural borrowers in sound management and technical operation of their electric systems	$704,807	$997,000	1,043,000	+$46,000 (3a)
b. Through increasing consumption and revenues: helping farm people to secure maximum benefit from electricity on their farms, including safe wiring	518,121	692,000	692,000	--- (3b)
c. Through audits, inspections, and collections: auditing of records, checking commitments, inspecting facilities, and collecting interest and amortization ..	651,002	956,000	995,000	+ 39,000 (3c)
4. General administration	165,919	234,380	212,679	- 21,701 (4)
5. Net cost of within-grade promotions	- -	- -	6,798	+ 6,798
Transfers as shown in Budget schedules	684,282	586,995	539,321	- 47,674
Unobligated balance	128,149	- -	- -	- -
Total appropriation	3,673,425	4,262,375	4,013,798	-248,577

(a) $1,791 of 1941 appropriation obligated in 1940.

INCREASES AND DECREASES

General. The Budget estimate for the Rural Electrification Administration for administrative salaries and expenses for the fiscal year 1943 totals $4,013,798 -- a decrease of $248,577 from the amount made available in 1942. Primarily this decrease reflects the influence on the work-load of the Agency of a reduction from $100,000,000 to $10,000,000 in the provision for loan funds from R.F.C.

As the project statement reveals, the workload of REA in any one year consists of three principal activités or functions: (1) functions concerned with lending funds and the construction of power facilities, (2) functions concerned with power systems in operation such as managerial, auditing and inspection activities the volume of which depends on the total number of projects in operation, and (3) functions concerned with those activities essential to the maintenance of an integrated organization for carrying on the Federal rural electrification program. The net decrease of $248,577 reflects, therefore, primarily the reduction in loan funds and the effect of this reduction on the workload of those functions concerned with lending funds and the construction of power facilities. On the other hand, inasmuch as the substantial part of the total workload of the Agency is concerned with the long-term operating phases of borrowers' systems, which constitutes a cumulative workload and is not therefore related in any one year to the lending and construction activities of that year, provision is made in the estimates for moderate increases in the functions concerned with that workload in order to discharge effectively the added responsibilities arising from an increase in the cumulative number of projects in operation.

The amount requested will enable the Agency to continue its participation in the war program through provision of power facilities for military and other war projects located in rural areas and to render adequate supervisory assistance to operating projects and thereby assure the maintenance of dependable electric service on an economical basis to an increasing number of farm people, to essential war and defense establishments, and to other rural users.

Attention is called to the fact that construction activities during 1943 will not reflect solely the $10,000,000 loan fund of that year but in addition will be influenced by the carryover of work initiated in 1942. It is anticipated that about $20,000,000 of the $100,000,000 fund provided in 1942 will be available for allotment in 1943 -- thus making a total fund of about $30,000,000 available for loans in 1943. During 1943, as during the present fiscal year, the primary objective of REA activities will be to aid in the successful prosecution of the war program. A substantial part of REA's participation in the war program is through that part of its staff concerned primarily with operating projects; other activities are concerned with construction of new facilities to serve new war facilities and enterprises. Though many of these activities are not spectacular, in a very real sense the availability of power in rural areas provides a basis for production of essential war services and products. This has been amply demonstrated in European countries, notably Germany. REA is participating in the war program in 3 important respects: (1) Service to military and related establishments and to decentralized industries through provision of electricity to meet their power needs; (2) service to rural defense activities through provision of electric power to help farmers meet rural labor shortages and increase their production

of critical foods and products required by the Food-for-Freedom campaign; and (3) assistance to cooperatives in their efforts to organize for effective civilian defense. By December 1941 REA systems were supplying power to 35 direct defense projects, including Army camps and Marine bases, other defense projects such as magnesium, mercury and other critical mineral mines, and to 121 areas in the vicinity of, and contributing to, direct defense projects.

Because of material shortages, new construction of facilities is being limited to those projects that are related to defense and war needs. In order to serve rural defense areas where there is a deficiency of power for defense, REA is establishing at vital points transmission and generating power cooperatives. In Texas a transmission cooperative will serve North and North Central Texas, in North Carolina a cooperative is serving a new Marine base and is expanding its facilities to provide for complete generation facilities; in Arkansas and Louisiana a new cooperative is constructing generation and transmission facilities; in Missouri, Kansas, and Texas, a cooperative will distribute power from the Grand River Dam. Other developments to serve defense areas are under way in Kentucky, Alabama, Georgia, and Minnesota. With the increased tempo of the war program it is anticipated that in fiscal 1943 additional generating and transmission facilities will be required for new industrial plants, decentralized industries, and military camps in other rural defense areas where power shortages are developing.

Perhaps one of the most important single contributions of REA to the war program arises from the vast network of existing rural power lines -- almost 335,000 miles -- which serve farms and other rural enterprises. During the coming year, and throughout the entire war period, these lines will provide low-cost power for the production, processing, and preservation with less manpower of essential quality foods and fibres, and for vital defense projects, defense industries, and emergencies. It is noted that over 5,300 industrial and commercial enterprises were connected to REA-financed lines by January 1941 and this number is constantly increasing. Because they are located in 2,300 counties in 45 States, REA-financed cooperatives as a group have been recognized as constituting an effective medium for comprehensive coverage of rural areas for civilian defense. REA specialists in cooperation with the Extension Service, Bureau of Home Economics, Surplus Marketing Administration and the Bureau of Agricultural Chemistry and Engineering, have already conducted a Nutrition Campaign with the cooperatives to stimulate production and preservation of home-grown foods and the installation of Nutrition centers for hot school lunches made possible through the use of electric power. All of these activities require close cooperation of the REA staff with that of the cooperatives. In that connection it is important to note that these war activities constitute a part of the total activities of the Agency to make electricity available and beneficial to all users of power located in rural areas whether they be Army camps, industries, mines, air beacons, or farms engaged in production of critical foods.

In recognition of the defense aspects of the REA program, on July 29, 1941, the Office of Price Administration and Civilian Supply, under its civilian allocation program, made a 6 month's allocation of critical materials for the continuance of the REA construction program. However, under this Order OPM made materials available to REA for the month of August only; and none for subsequent months. Thereafter, effective December 1941, SPAB allocated 1,500 tons of copper per month for a period of 7 months in order to complete construction of all projects that were 40 percent or more completed. Under this Order it is estimated that about 220 projects now under construction will be completed and energized by the early part of fiscal 1943.

On the basis of the continuing workload resulting from the increase in the cumulative number of projects in operation, and from the contributions of REA to the war program through providing power facilities in rural areas for serving military and other war purposes, and for increasing production of critical foods and fibres and alleviating growing labor shortages, it is estimated that $4,013,798 -- a decrease of $248,577 from fiscal 1942 -- will be required to carry on the rural electrification program in 1943. Though not a formal part of this statement, consideration must be given to the importance of maintaining REA as an integrated going concern not only for the purpose of post-war activities but also for its constructive influence on electric rates generally throughout the Nation. The estimates for each major activity will be described in detail under each of the work projects.

The decrease of $248,577 for 1943 consists of a decrease of $47,674 in transfers, an increase of $6,798 for within-grade promotions, and the following operating components: (1) a decrease of $172,000 -- approximately 48 percent -- for "Lending Activities"; (2) a decrease of $99,000 -- about 23 percent -- for "Line Building Activities"; (3a) an increase of $46,000 -- 5 percent -- for "Loan Protection through Management Assistance"; (3c) an increase of $39,000 -- approximately 4 percent -- for "Loan Protection through Audits, Inspections, and Collections"; and (4) a decrease of $21,701 -- about 9 percent -- for "General Administration"; in more detail as follows:

(1) A decrease of $172,000 -- approximately 48 percent -- has been estimated in the cost of this phase of activities to reflect the reduction in the provision for loan funds from $100,000,000 in 1942 to $10,000,000 in 1943 and the reduction in the estimated amount to be allotted from $80,000,000 to $30,000,000.

Objective and significance: The soundness of the loans made by the Federal Government for financing rural electrification projects depends in the first instance on the thoroughness of the work performed under this work project. These activities -- including field and other examinations, and related engineering, financial and managerial functions concerned with standards and determinations of feasibility and approval of loan applications of rural borrowers -- are of fundamental

importance in the establishment of proper arrangements on which to base commitments of the Government and the borrowers in order that the latter may proceed in an orderly development and construction of their electric systems. This phase of the Agency's work is concerned with all activities and arrangements that are essential to the making of loans on a self-liquidating basis in accordance with the provisions of the Act.

Plan and progress of work: The activities included in this work project involve operations in both Washington and the field. Considerable assistance is rendered farm groups to inform them of the proper steps which they should take to prepare their loan applications, make their consumer surveys, and estimate the probable needs for the consumption of electric power by the farmers and other potential rural consumers in their communities. Although the Agency furnishes instruction booklets and manuals that specify the information required by REA, experience has amply demonstrated that field visits of REA representatives not only minimize the administrative cost of loan examination but also facilitate the development of economically sound projects. This is of particular importance in regard to generating and transmission systems and acquisition of existing utility properties, each of which requires careful planning and coordination to obtain economical arrangement. In order to appraise better the individual proposals, and to serve as a basis for extending rural service more widely in the post-war period, a nation-wide survey of unelectrified areas is now under way to determine the most economical and satisfactory method of serving them. As of October 31, 1941, REA had made allotments totaling $418,808,821, consisting of $383,610,588 for distribution systems, $25,599,150 for generating plants and transmission lines, and $9,599,083 for purchase of wiring, plumbing and electrical equipment. These allotments had been made to 858 individual borrowers of which 784 were cooperatives, 50 were public bodies, and 24 were private companies.

Financial requirements: The estimated cost of this phase of activities in 1943 is $185,000 which is a reduction of $172,000 from the estimated cost in 1942. This reduction -- amounting to approximately 48 percent -- reflects primarily the decrease in the provision of loan funds from $100,000,000 to $10,000,000 in 1943. On a realistic and more comparable basis, however, it is expected that allotments in 1942 will amount to $80,000,000 and in 1943 to $30,000,000. The latter figure consists of approximately $20,000,000 which it is anticipated will be carried over from the 1942 authorization and $10,000,000 provided for in the Estimates for 1943.

The estimated cost of this work project in fiscal 1943 reflects three major aspects of workload related to lending activities: (1) making loans for power facilities to aid the war program, principally for new generation and transmission facilities to alleviate power shortages in defense areas; (2) making a nationwide survey to determine location of unelectrified farms to serve as basis for comprehensive

coverage in the post-war period; and (3) making loans to acquire existing rural facilities that may be offered for sale under the simplification plans of the SEC; acquisitions that would round out and strengthen existing REA-financed systems.

A primary activity that will influence this work project during 1943 relates to lending activities concerned with new generating plants and transmission lines to aid the war program. Though these projects will be initiated primarily because of their contribution to defense by alleviating power shortages and serving defense projects, it should be noted that fundamentally they are part of the Agency's normal activities because all of them will have continuing value after the emergency period in serving farmers and other users in the areas. It is anticipated that during the present fiscal year allotments for generation and transmission projects will amount to $15,000,000 and during 1943 to $20,000,000. The growing demand for this type of loan is indicated by the fact that at the end of September 1941 applications on hand and in process totaled $23,008,000. Examination of the records indicate that the size of such applications is increasing, ranging up to $3,400,000. Applications for generating plants and transmission lines require intensive study both in Washington and the field by technically-trained personnel and provision has been made in the 1943 estimates to meet this need.

During the present fiscal year, as a part of the function of lending, a nation-wide survey is being made through the cooperatives and appropriate State groups of unelectrified farms and their location in order to facilitate the development of integrated rural systems and to assure national area coverage. These surveys will provide basic information for future expansion, for allocation of areas among existing systems where territorial problems may exist, and for provision of much needed information for expanding promptly rural electrification as a part of a post-defense program to absorb the shock of a transition from a defense to a peace-time economy. It is anticipated that these surveys will continue into 1943 as an important aspect of the lending activity, and that the staff concerned with this function will devote part of its time to the task of conducting this survey.

Attention has already been called to the increasing interest of cooperatives in the acquisition of existing utility properties that may be offered for sale under the simplification plans of the SEC. Though it is impossible to estimate precisely the amount of such property that may eventually be acquired by REA-financed systems, estimates ranging from $15,000,000 up to $30,000,000 have been made. At the end of September 1941 there were 223 applications totaling about $8,000,000 in process of examination. It is anticipated that a considerable amount of acquisition work may be done during 1942, particularly in those instances where the acquisition will not necessitate the use of additional materials for rehabilitation, and will undoubtedly continue into 1943 and subsequent years. The acquisition of existing properties in many instances makes possible more complete

integration of cooperative systems and provides a basis whereby many unserved farms and others in "pocketed areas" may receive service. Provision has been made in these estimates for REA to continue this increasingly important phase of lending activities to continue in 1943.

On the basis of these considerations it is estimated that the cost of this work project will be $185,000 in fiscal 1943 in order to carry on the lending activities concerned with loans for generation and transmission projects for war purposes, with surveys of unelectrified areas for future rural electrification, and with loans for acquisition by cooperatives of properties that may be offered for sale.

(2) A decrease of $99,000 -- about 23 percent -- has been estimated in the cost of "Line Building Activities" to reflect a proportionate reduction in the workload of this work project resulting from a reduction in loan funds and the scarcity of essential materials.

Objective and significance: The primary purpose of this phase of the Agency's work is to assist borrowers in the proper design and construction of their rural power systems and in the making of all arrangements pertaining thereto in order that they may have the best possible physical facilities with which to supply electric power to farmers at the lowest possible rates and at the same time earn revenues adequate to assure repayments on the Government loans. Inasmuch as the physical property comprising the power systems constitutes the sole security for the Government loans, it is the responsibility of this phase of activities to see that the investment is most prudent and is held to as low a figure as possible commensurate with adequate service.

Plans and progress of work: This work project consists of: aiding and guiding borrowers in the multitude of business, technical, and engineering activities which they must perform in building their electric systems, and in giving this aid through field visits, correspondence, bulletins and other releases. Construction plans and specifications are reviewed and approved, including material units and prices, to obtain maximum economy. Assistance is given borrowers in obtaining new developments of technical equipment that will improve their service and reduce costs of operation. Field engineers inspect the progress in construction of lines and other facilities and assist borrowers in determining that the properties are being built in accordance with plans and specifications and that the work is proceeding on schedule. By the end of September 1941 over 350,000 miles of line had been constructed -- a record never achieved by any other similar undertaking in a like period of time. Of particular importance is the continuous decline achieved in the cost per mile of borrowers' systems throughout this period. The average overall cost of REA lines is about $800, or approximately one-half the reported costs of $1,500 to $1,800 a mile which were common before REA was established.

Financial requirements: The estimated cost of this phase of the Agency's work in 1943 is $340,000 -- a reduction of $99,000 from the estimated cost in fiscal 1942. This reduction -- amounting to about 23 percent -- reflects primarily the influence of the decrease in the provision for loan funds from $100,000,000 to $10,000,000 in fiscal 1943. It should be noted, however, that the loan fund authorization of any one year is but one of several measures of the workload of this work project. In 1943 a substantial part of the workload arises from funds allotted in 1942 but which will not be translated into physical construction until 1943. As has already been noted, it is expected that about $30,000,000 ($20,000,000 carryover from 1942 and $10,000,000 for 1943) will be available for allotment and construction in 1943. A substantial part of this total -- possibly two-thirds -- will be used for construction of generation and transmission facilities for war needs in areas where there is a deficiency of power. In addition, it is estimated that a substantial percentage of the 29 allotments made in 1942 for generation and transmission will still be in the process of construction in 1943 and will be completed during that year. Projects of this type and size require exacting technical supervision by REA engineers and the unit workload per project is far in excess of that required for normal distribution line projects. The 1943 Estimates make provision for the workload involved in the construction of these defense projects. It should be noted that the Estimates do not provide for the construction of normal distribution line projects which were allotted in 1942 but which are not under construction because of material shortages, but if the material situation should improve and thereby make possible the construction of these distribution line projects, it would be necessary to augment the staff provided for by these Estimates.

One of the most rapidly growing new responsibilities of REA that will impose an increasing workload on line building activities is presented by work orders issued by borrowers to cover their force account construction. This construction is composed primarily of numerous short extensions and connections to serve farms and others located along or near existing lines. Prior to 1941 these work orders did not constitute a serious administrative problem for REA. Beginning in 1941 the volume increased rapidly, amounting to some 50,000 with a value of approximately $12,000,000. The technical staff was of course not able to give the attention it should to these multitudinous and relatively small construction jobs being performed mainly by borrowers' maintenance crews. Certain aspects of work orders are related to line building activities and provision has been made in the estimates to cover this added responsibility in 1943. It is estimated that the minimum number of work orders in 1943 will be about 50,000, or approximately the same number as in 1942, with a value of approximately $15,000,000. The funds for these short extensions and connections were provided when the original allotments for the projects were made.

On the basis of the estimated workload of this phase of activities, as reflected by approximately $20,000,000 of new defense construction, the carryover from 1942 to 1943 of not less than 29 large generating and transmission projects, and approximately 50,000 work orders resulting from force account construction, it is estimated that the cost of this work project will be $340,000 in 1943, a reduction of $99,000 from the estimated cost in 1942.

Loan protection: Safeguarding Government loans. From an administrative and budgetary point of view the protection of Government funds already invested in rural electric systems is rapidly becoming the most important phase of REA activities. The successful operation of a borrowers' system is vital to the Government, especially through the early years of amortization. As each year's allotment and construction program is completed and the new facilities are placed in operation, the cumulative workload of this phase of the Agency's activities increases. By the close of the fiscal year 1943 it is anticipated that there will be about 900 separate borrowers with an estimated 2,500 projects in operation. This represents an increase of approximately 9 percent over the estimated number of such projects that will be in operation by the end of fiscal 1942. By the end of 1943, assuming a $10,000,000 loan fund for that year, total allotments will amount to approximately $479,000,000, of which about $400,000,000 will have been advanced to borrowers. On the ability of these borrowers to repay the loans with interest in accordance with contractual obligations depends primarily the ultimate success of the Federal rural electrification program. From the viewpoint of both the Government and the farmers, ultimate success of the projects means that the farmers and other rural users, including military and other war establishments, will have adequate supplies of electric power at rates low enough to permit maximum use, yet sufficient to meet all interest and amortization charges on Government loans. Rural electric systems have many unique characteristics -- disclosed largely since the establishment of REA -- which must be recognized and planned for in setting up managerial methods and techniques. This is, of course, a job for experts. Inasmuch as over 90 percent of the REA borrowers are newly-organized cooperative or other non-profit associations of farmers with no experience in the technology and operation of an electric utility business, it is apparent that they need for a considerable period after the energizing of their lines, technical assistance and guidance in the management of their electric systems in order to establish themselves as successful operating enterprises. As a consequence of these circumstances, they require assistance and guidance in handling their management problems, controlling expenses of operation, and building revenues. In addition to these aids, the Government investment must be further safeguarded through careful audits of books of account, and maintenance by REA of proper records and procedures leading to the collection of interest and principal due the Government.

Progress to date in the operation of borrowers' systems, discussed in detail in a following section, is gratifying and indicates, assuming continued REA assistance and guidance commensurate with increasing responsibilities, that these favorable trends will continue. The amounts requested for fiscal 1943 for each of the following phases of the work of protecting these loans reflect directly the needs and requirements of these enlarging responsibilities and activities of the rural electrification program.

(3a) An increase of $46,000 -- approximately 5 percent -- is estimated in the cost of this work project "Loan Protection Through Management Assistance" to discharge the additional responsibilities resulting primarily from a 9 percent increase in the cumulative number of projects in operation in fiscal 1943.

Objective and significance: The management assistance phase of the Agency's activities is concerned with assisting borrowers to become successful operating enterprises capable of meeting all of their interest and amortization charges on the Government loans and of rendering efficient, economical service to the farmers. As has already been indicated, because of the peculiar conditions under which they must operate, rural electric systems present many unique technical and managerial problems the solutions of which require expert assistance. In addition, sound management of cooperative enterprises involves the development of democratic controls -- the social importance of which to the national and agricultural economy cannot be over-emphasized -- by the members on the basis of cooperative principles. The basic objective of guiding and assisting borrowers in the management and operation of their project systems is to effect all possible economies and achieve the highest possible degree of efficiency. It is essential to the success of the program that this guidance and assistance to projects -- guidance and assistance which they cannot obtain from any other source -- be continued until they have gained sufficient management and technical experience to assure the effective discharge of their responsibilities and obligations to the farmers and the Government. Until they have achieved this goal, REA must, of course, assume continuing responsibilities.

Plans and progress of work: Management guidance and assistance to borrowers requires the services of many different types of specialists and technicians, all of which play an important role in helping projects establish themselves as sound business enterprises. During the war emergency, management assistance is of particular importance because it is essential that the systems provide an adequate, continuous supply of power to military and other war establishments and to farmers engaged in the production and preservation of critical foods, and make proper provision for extending service to new war and defense enterprises in their communities. Among the more important types of management guidance required by the projects are the following: technical assistance in problems of distribution engineering, line maintenance and operation, and rendering of dependable service to farmers; assistance in negotiation for wholesale power at equitable rates and in preparation of retail

rate schedules; aid in the development and continuance of cooperative organizations on democratic principles; cooperation with borrowers in the development of their managerial policies and methods through conferences, correspondence and field visits; assistance to improve efficiency through analyses of monthly operating statements of revenue and expense and through budgetary controls; aid in negotiations and arrangements for adequate insurance coverage at rates commensurate with risks; help to borrowers in development of safety programs to protect life and property; and assistance on matters of public regulation, by-laws and charters, consolidations, and taxes. An increasing amount of attention is being given, and must be enlarged in fiscal 1943, on technical operating problems peculiar to rural systems.

Financial requirements: The increase of $46,000 -- approximately 5 percent -- requested for this work project in fiscal 1943 has been estimated on the basis of the enlarging managerial and technical responsibilities resulting primarily from a 9 percent increase in the cumulative number of projects which is anticipated will be in operation in 1943 and the increased number of generation and transmission projects that will require operating and technical assistance during that year.

It is essential that assistance on technical and managerial problems be rendered borrowers in order to achieve lowest possible operating costs and improvements in the efficiency of the systems. This will require in 1943, because of 9 percent increase in operating projects, additional technical personnel, both for work in the field and in Washington. Many of these activities require personal contact with the management of borrowers' systems while others require detailed technical and engineering analyses of operating data. An important consideration taken into account in estimating the requirements for managerial assistance in 1943 is to make provision for sufficient personnel to assist borrowers in discharging effectively their responsibilities to the war program in addition to managing systems of constantly increasing size. Because of the unique and unusual characteristics of rural power systems, particularly those that have been enlarged substantially, many technical aspects of operation must receive continuing attention. Among these are voltage regulation, system stability, regulator and transformer applications, inductive coordination, radio interference, communication facilities, and performance of sectionalizing devices and protective equipment.

In 1943 it is anticipated that there will be an increase in the workload of this phase resulting from the enlarged generation and transmission program of 1942 resulting from the war program. The increasing attention being given in 1942 to this growing responsibility will have to be augmented in 1943. The operation and maintenance of generating plants did not constitute an important element of the activities of this work project prior to 1941 because of the relatively small number and size of them. However, with some 29 generating plants and transmission projects under construction, the responsibility of operations will increase greatly. In 1943 it is anticipated that this responsibility will be intensified by the addition of a few larger plants than are now in operation.

The increase of $46,000 in the cost of this phase of the work in 1943 has been estimated to be a minimum on the basis of anticipated workloads. Added experience with operating systems is constantly revealing new managerial and technical problems which are reflections of the unique and peculiar characteristics of rural power systems. These problems of course must be handled as they arise and with the continued development and enlargement of the systems, they may become more intensified than is at present anticipated. The increase of $46,000 requested for this phase of the work in 1943 is required for the additional personnel and related services to meet these enlarging responsibilities.

(3b) No change is anticipated in the cost of the work project "Loan Protection through Increasing Consumption and Revenues", the major function of which is to help farm people utilize electricity in increasing production of critical foods and to carry on nutritional programs.

Objective and significance: The objective of this phase of the work is primarily to enable farm people obtain the maximum benefits from electric power by assisting them to develop the use of electricity in income-producing, labor-saving, and drudgery-reducing activities. In turn, these activities assist the systems through increased revenues to become self-liquidating enterprises and capable of meeting their financial obligations to the Government. If informed concerning the many uses of electricity in farm and community activities other than for lighting only, rural people may release manpower for additional productive work and for the armed forces and other war activities without affecting essential food productivity, while at the same time maintaining their level of living and helping to eliminate the drudgery involved in many farm chores.

Plans and progress of work: Many types of activity are required in assisting farmers and projects to obtain maximum benefits from electric power on the farm and in the rural community. In 1943 it is planned that this phase of the Agency's program will continue the important work started in 1942 of aiding farm people to utilize electric power in increasing the production of critical foods essential to the war program and alleviating growing labor shortages in rural areas. Electric power is an essential factor in increase of the commercial production of milk and poultry products if quality standards are to be maintained. As a part of the Nutrition for Defense Program, REA is sponsoring the establishment of rural food processing centers in some 20,000 rural schools and community centers. Reports indicate that such centers are now being organized in increasingly large numbers. This activity, which will be continued in 1943, makes possible demonstrations of better diets and will make possible or improve hot school lunches.

Financial requirements: It is estimated that this work project can be maintained in 1943 at the same cost as in 1942. In this connection it should be noted that if the normal supply of a wide variety of electrical farm equipment were available, the financial requirements of this project would be augmented because of the 9 percent increase in the cumulative number of projects in operation and a corresponding increase in the

number of consumers connected. Under circumstances in which the emphasis is solely on defense work, it is believed that the total of $692,000 will be adequate to handle the workload of this work project in 1943.

(3c) An increase of $39,000 -- approximately 4 percent -- is estimated in the cost of work project "Loan Protection through Audits, Inspections, and Collections" in 1943 in order to provide for essential auditing, inspection, and collection activities in connection with the enlarging responsibilities of protecting Government investments resulting primarily from a 9 percent increase in the cumulative number of projects in operation.

Objective and significance: The primary objective of this phase of REA activities is to assure that all Government funds invested in rural electric projects are properly safeguarded and to collect and account for all payments of interest and principal. This work includes: keeping accurate records of all financial relations with borrowers; auditing and verifying the accuracy and completeness of borrowers' records; inspection of physical facilities of borrowers' systems; inspection of force account construction performed by borrowers; checking of the credit standing of officials of borrowing organizations, approving bank depositories selected by borrowers; reviewing of borrowers' commitments where required; and making of special inspections and investigations -- all of which are essential to avoid impairment of the Government's investment through mishandling, negligence, unwise investment of funds, improper accounting methods, or unwise commitments. The critical importance of this phase of the work is apparent when it is considered that the sole security for a Government loan consists generally of physical property represented by an electric distribution system, and the revenues from a system are the only source of funds for the payments of interest and principal to the Government. Consequently, any dissipation of Government funds or revenues of the system through unwise commitments, improper expenditures, incomplete accounts, or other causes, may lead to serious financial difficulties.

Plans and progress of work: This phase of the work consists of keeping accurate records of all financial relations with borrowers, particularly in respect of the amounts lent, amounts advanced, and amounts due and collected; auditing of borrowers' requisition and expenditure reports for construction to assure that Government funds are expended properly and in accordance with all terms of approved contracts and construction budgets; auditing of borrowers' records to verify and determine the financial status of their enterprises and the disposition of all funds lent by the Government and received from the sale of power; making periodic examinations of all approved depositories; examining financial responsibility of borrowers' officials; checking of borrowers' assets to verify accuracy of reported expenditures for property; inspection of physical facilities of borrowers with particular emphasis on extensions constructed by force account; conducting of special inspections of the property of borrowers when required; reviewing of all contracts and other commitments that may influence the financial operating condition

of borrowers and the security of the Government loan; and rendering bills for and collecting interest and amortization due on the Government loans.

The work of auditing and checking the financial transactions involved in a program with allotments which may total $449,000,000 by the end of fiscal 1942 and an estimated $479,000,000 by the end of fiscal 1943 is a major undertaking, but it is essential to the protection of Government funds. Auditing of requisition and expenditure reports is essential to a determination that Government funds have been expended for construction purposes in accordance with all contracts. Funds are advanced to projects on the basis of a drawing account method under which funds estimated by the project to be necessary for the next month's construction are advanced if proper expenditure of funds previously advanced is shown by receipted invoices for such expenditures. This method means that all requisitions and expenditures must be checked to determine that they have been made for proper purposes. Through increased efficiency the time between requisition and advance of funds has been reduced from about 5 weeks to 1 week.

Technical and engineering inspection of borrowers' physical facilities, including performance of equipment, and particularly construction of extensions under force account arrangements, is becoming an increasingly important activity of safeguarding Government loans as operating systems expand and extend their service through numerous short extensions and consumer connections. It is becoming more apparent that technical inspection of facilities and analysis of performance data constitute the best assurance that the facilities in which the Government funds are invested are being maintained and cared for properly.

The collection of interest and amortization payments on the Government loans involves the maintenance of accurate accounting records for each borrower, the preparation and billing of interest and principal due each month, maintenance of accurate records of the financial relations with RFC, and the making of financial arrangements for the collection of interest and principal payments.

Financial requirements: On the basis of the enlarged responsibilities reflected in an anticipated 9 percent increase in the number of projects in operation, and the growing need for adequate inspection of force account construction, an increase of $39,000 -- approximately 4 percent has been estimated as a minimum additional amount that will be needed for this phase of the Agency's activities in 1943. The major part of the increase requested for this phase of the work has been estimated on the basis of workload estimates of number of projects and of volume of force account construction; the balance, relating to technical inspection of facilities, reflects the best judgment that could be made on the basis of known needs.

In fiscal 1943 it is anticipated that the activities concerned with accounting, preparing and rendering monthly interest and principal statements, and collecting interest and principal payments will show an increased workload over fiscal 1942 as the result of a 9 percent increase in projects in operation. A careful study of the collection activities discloses that an average of 2,000 work units per month (number of operations performed) is a normal output per person. Records and estimates indicate the workload for collecting activities increases from 15,800 units in 1941 to 24,000 in 1942 and 28,000 in 1943.

The requirements for field auditing activities during fiscal 1943 have been carefully calculated on the basis of the known workload for that year and the number of man days needed to perform each aspect of this workload. Statistics on the man days required for each type of audit have been determined by careful study of the accumulated experience of the past three years. The calculations for each type of audit required during fiscal 1943 are as follows:

1. Installation audits. During fiscal 1943 it is anticipated that 50 new borrowers will be organized. Auditors must visit each of these to assist in the installation of the accounting system and instruct the bookkeepers in its use. These visits will require approximately 4 days each, making a total of 200 man days for the year.

2. Intermediate audits. It is estimated that approximately 100 intermediate audits will be made during fiscal 1943. Inasmuch as each of these will require 10 man days to perform, the total requirements for these audits will amount to 1,000 man days.

3. Cost distribution and contractors' final audits. It is estimated that 200 projects will be placed in operation during fiscal 1943. Each of the 200 projects will require a final audit in order to determine the cost of the lines and the amounts due the contractor and project engineer. Since experience indicates that these audits will require about 10 man days each to perform, the 200 audits will require approximately 2,000 man days during 1943.

4. Operations audits. As has already been pointed out, periodic audits of borrowers' operating accounts constitute one of the best methods of protecting the Government's investment in borrowers' systems because they not only provide full information concerning the disposition of operating revenues but also disclose situations which guide management and other experts in their efforts to assist the projects in becoming successful operating enterprises. It is estimated that 900 systems will be in operation by the end of fiscal year 1942. Operation audits involve a detailed review of borrowers' operating records for the purpose of verifying the financial conditions of the systems. On the basis of semi-annual audits per system, and 8 days per audit, a total of 14,400 man days will be necessary to perform this particular type of audit.

5. Special Investigations. Special audits are an absolute necessity when irregularities or other unusual circumstances are reported. While it is very difficult to estimate the number of such audits that will be performed during fiscal 1943 and the length of time they will require, it has been estimated conservatively that provision should be made for 50 such audits at an average of 10 days each. This totals 500 man days.

A summary of the field auditing requirements as presented above follows:

	Number	Days Required	Total Man days
Installation audits	50	4	200
Intermediate audits	100	10	1,000
Contractors' final audits	200	10	2,000
Operations audits	1,800	8	14,400
Special investigations	50	10	500
	2,200	--	18,100

Taking into consideration annual leave, holidays, and a reasonable amount of sick leave and travel time, a field auditor works approximately 250 days a year. On this basis, the estimated 18,100 man days indicate a total of 73 working auditors for fiscal 1943.

Because of the estimated increase in workload of the field auditing during the fiscal year 1943, it is important to provide adequately for supervising personnel in the field and for analysts in the Washington office engaged in reviewing audit reports.

Reference has already been made to the extremely rapid increase in 1941 in the number of work orders submitted by borrowers to REA. These work orders arise from the construction of numerous short extensions by borrowers on a force account basis. The importance of work orders is indicated by the fact that during fiscal 1941 there were some 50,000 of them covering approximately $12,000,000 of construction. This placed a new burden and responsibility on the Agency which had not been fully anticipated. Prior to 1941 the volume of this type of construction had been relatively small because the systems were new and the regular field engineers were able to handle most of the volume. The "rush" of work orders made it necessary to establish policies and procedures to assure that the substantial amount of funds involved were properly expended for approved construction. It was recognized that such extensions should be of the same engineering quality as the primary lines if the systems were to operate economically and efficiently. The procedure provides that all line extensions constructed by force account must be inspected by field engineers before

work orders are submitted by borrowers for REA approval. Through such an inspection procedure REA is assured that the construction is technically sound and that the investment in the lines has been properly made. During 1942 it is anticipated that a part of the technical field staff may be engaged, as conditions permit, in inspecting force account construction not only of the current but also of the previous year. On the basis of field observations and the assumption of material availability, it is estimated that there will be in 1943 some 50,000 work orders with a construction value of approximately $15,000,000. In terms of an additional workload resulting primarily from a 9 percent increase in the number of projects in operation and the estimated 50,000 work orders, it is estimated that an increase of $39,000 -- approximately 4 percent -- will be required to discharge effectively the responsibilities of this work project in 1943.

(4) A decrease of $21,701 -- over 9 percent -- in "General administration" is estimated primarily on the basis of a reduction in the provision for loan funds in 1943 notwithstanding an increase in other continuing activities resulting from a 9 percent increase in the cumulative number of projects in operation.

Objective and significance: This phase of the work is concerned with: determination of policies, and problems arising out of their execution; coordination of the several activities required in execution of the program and development of the efficiency of each; control of internal operating procedures and standards and the scheduling of the various activities; relations with other interests, both public and private; relations with project members, directors and officers; and policy-making investigations pertaining to the development and improvement of extension of electrification into rural areas. These activities are the concern of the Administrator, his staff of assistants, and responsible divisional representatives.

Financial requirements: The decrease of $21,701 -- approximately 9 percent -- in the cost of "General Administration" reflects primarily the reduction in the provision for loan funds from $100,000,000 in 1942 to $10,000,000 in 1943. Recognition should be given of course to the fact that this work project is concerned with all phases of the Agency's work, including workloads cumulative in their magnitude, and as a consequence the loan funds for any one year constitute but one measure of workload for this work project. Another measure which is becoming increasingly important relates to projects in operation. It will be recalled that the number of these projects in operation will be 9 percent higher in 1943 than in 1942.

In consideration of this work project, it should be noted that, although administrative funds are not being requested for the purpose, an increasing burden is being placed on the administrative staff by the development of the war program. This involves cooperation with

other agencies arising out of the fact that adequate electric energy is a critical factor in preparedness. The staff is already engaged in consideration of such coordinate problems as: construction of large generation and transmission projects to serve immediately direct defense projects and ultimately peacetime activities; the use of REA borrower's lines for industrial transmission in emergencies; the availability of REA systems for servicing decentralized munitions and similar plants; and designing lines to serve certain strategic industries and defense projects. These problems may have increased considerably in magnitude by fiscal 1943, according to the developments in the international situation, but in any case cooperative activities now being developed will remain an additional burden in fiscal 1943.

On the basis of these considerations, it is estimated that the cost of this work project will be $212,679 in 1943 -- a reduction of $21,701 from 1942.

FUNDS FOR RURAL ELECTRIFICATION LOANS

The estimates for 1943 provide for an authorization of a $10,000,000 loan fund to be borrowed from the Reconstruction Finance Corporation. It is intended that this fund will be lent for projects related directly to defense and war needs. On the basis of indications of authorities as to the increase in war industrial plants required for increasing the production of planes, tanks, and guns and the output of strategic minerals coupled with the reports of growing power shortages in many areas, it is apparent that the $10,000,000 loan authorization of 1943 and the estimated $20,000,000 carryover from 1942 may be invested, and prudently, in new facilities in rural defense areas. The rapidity with which the program can move forward is dependent of course on the availability of strategic materials and of manufacturing capacity to fabricate electrical equipment. In addition, many cooperatives are negotiating for the purchase of existing power facilities in their areas in order better to integrate their systems. It is estimated that applications for loans to finance acquisitions may well reach $30,000,000 within the next year, and allocations, if made for these purposes, could absorb all funds not allotted from the total funds provided to date for rural electrification.

WORK UNDER THIS APPROPRIATION

General. Work under this appropriation involves the execution of the rural electrification program established by the Congress as set forth in the Rural Electrification Act of 1936. The Act specified that "The Administrator is authorized and empowered to make loans in several States and Territories of the United States for rural electrification and the furnishing of electric energy to persons in rural areas who are not receiving central station service, as

hereinafter provided: to make, or cause to be made, studies, investigations, and reports concerning the condition and progress of the electrification of rural areas in the several States and Territories; and to publish and disseminate information with respect thereto." It provides further that loans for the furnishing of electric energy shall be self-liquidating within a period not to exceed 25 years; that in making loans preference shall be given to States, Territories, municipalities, people's utility districts and cooperative, non-profit, or limited-dividend associations; that loans may be made for financing the wiring of premises and the acquisition and installation of electrical and plumbing appliances and equipment; and that loans shall be on such terms and conditions relating to the expenditure of the moneys loaned and the securities therefor as the Administrator shall determine and may be made payable wholly or in part out of income.

At the time of the establishment of the rural-electrification program electric service was available to only 1 out of every 10 farms in the country. Today electric power is available to 1 out of every 3 farms. While these figures indicate the rapid strides taken in the past 6 years to make electricity available to farmers, they also reveal the number of farms still denied the benefits of electric power.

Progress of the Rural Electrification program: The cumulative figures presented in the following tables show the rapid progress and the accomplishments to date of the rural-electrification program.

Progress of Rural Electrification Program

	Total Allotments - Lines Generating Plants, Consumer Installations	Miles to be Constructed (Allotment Estimate)	Consumers to be Served (Allotment Estimate)
June 30, 1936	$13,910,404	13,072	48,997
June 30, 1937	58,936,217	54,407	193,529
June 30, 1938	88,191,070	80,951	282,802
June 30, 1939	227,340,899	209,818	724,999
June 30, 1940	268,972,949	251,642	854,828
June 30, 1941	369,027,621	356,053	1,171,867
October 31, 1941 ..	418,808,821	388,357	1,258,453

	Funds Advanced	Miles Energized	Consumers Connected
June 30, 1936	$823,262	400	693
June 30, 1937	11,864,836	8,000	19,611
June 30, 1938	60,040.810	41,736	104,528
June 30, 1939	122,339,824	115,230	268,000
June 30, 1940	221,287,287	232,978	549,604
June 30, 1941	296,395,142	307,590	780,482
October 31, 1941 ..	322,967,831	335,806	865,398

Notwithstanding the accelerated pace of the Federal rural electrification program during the past 6 years, there is no diminution in the demands of farm people for electric service and for Federal loans to make such service possible. The widespread demand for rural electric service is reflected by both the increased applications for regular projects and the increase in the number of requests from self-help projects and from small groups of unserved farmers who cannot obtain power from surrounding private utilities and find themselves blocked from forming individually feasible systems. Although the latter type of requests intensify greatly the administrative work involved, there is no evidence that the quality of the applications from unserved areas is diminishing.

Of the $100,000,000 loan fund available for fiscal 1942, a total of $56,904,200 had been allotted by December 8, 1941. This leaves $43,095,800 to ba allotted. For this balance, applications in Washington or known to be in preparation in the field totaled $111,704,200, or $68,608,400 in excess of the amount available. Of the total of $111,704,200 in applications, $86,361,700 are under consideration of the examiners in Washington, the balance -- $25,342,500 -- are in process of preparation by farm groups in their communities. Priorities, of course, account largely for the failure of allotments to keep pace with applications but it is interesting to note that in spite of the fact that this situation is generally known applications exceed the total funds available by over $12,000,000 more than was the case at this time last year.

Financial statistics indicate that REA borrowers as a group are making their interest and principal payments to the Government ahead of loan contract schedule. The following Table I shows as of October 31, 1941 the amount of interest and principal due and the amounts paid on these obligations by borrowers from their operating revenues.

TABLE I

INTEREST AND PRINCIPAL PAYMENTS OF REA BORROWERS
CUMULATIVE TOTALS

Data Reflect Current Contractural Obligations of All Borrowers' Payments Made From Revenues

ACCOUNTS	LOANS FOR LINES AND GENERATING PLANTS		LOANS FOR WIRING AND PLUMBING		TOTAL AMOUNT
	Number of Borrowers	Amount	Number of Borrowers	Amount	
INTEREST					
Due Oct. 31, 1941	568	$6,930,586.30	478	$158,940.03	$7,089,526.33
Paid by Nov. 30 on accounts due 10/31/41	564	6,881,824.61	478	154,382.04	7,036,206.65
PRINCIPAL					
Due Oct. 31, 1941	379	4,384,172.32	478	1,521,965.33	5,906,137.65
Paid by Nov. 30 on accounts due 10/31/41	375	4,321,513.62	478	1,489,839.03	5,811,352.65
AMOUNTS 30 Days or More Overdue Nov. 30, 1941					
Interest	16	48,761.69	25	4,557.99	53,319.68
Principal	12	62,658.70	31	32,126.30	94,785.00
Total	17	111,420.39	33	36,684.29	148,104.68
NOTES PAID IN FULL 10/31/41					
Interest	10	47,542.64	131	4,838.09	52,380.73
Principal	10	310,698.43	131	106,136.63	416,835.06
Total	10	358,241.07	131	110.974.72	469,215.79
ADVANCE PAYMENTS Oct. 31, 1941	309	3,653,007.57	--	--	3,653,007.57

This table reveals that while the great majority of REA borrowers are making their interest and principal payments on time and in accordance with contractual provisions, some are making payments in advance, and a few are overdue. Every lending agency experiences similar situations at one time or another. In many instances the overdue payments reflect an adverse crop situation such as drought or other adverse conditions which have prevented borrowers from completing or bringing into full operation their lines in accord with predetermined schedules; in some cases, they reflect delayed construction resulting from spite-line activities of private companies and injunctions; and in others consumption of power or density has increased at a slower rate than anticipated

At the present stage of development of the distribution systems of REA borrowers, operation trends are one of the best indicators of progress toward financial stability. If gross revenues continue to increase more rapidly than operating expenses, if consumers continue to be added to the lines, thereby improving density, and if consumption of power continues to increase, then there is no question concerning the successful operation of these systems. The figures in table II based on the operating reports of 707 borrowers for the month of March 1941 show some of the more significant trends. These were obtained by arranging the reported figures in age groups in accordance with the number of months that each borrower's system -- or a substantial part of it -- had been in operation from date of initial energization.

TABLE II

OPERATING STATISTICS OF REA-FINANCED SYSTEMS BY AGE GROUPS - MARCH 1941

Age (Months)	Systems Included	Consumers Per Mile	KWH Per Consumer	Percent Minimum Bills	Revenue Per Mile
1-6	41	1.65	39.0	70	$ 6.38
7-18	210	1.94	48.2	55	7.53
19-30	168	2.33	46.9	52	7.89
31-42	219	2.34	55.3	45	9.09
43-over	69	2.79	60.0	38	10.71

As the systems grow older marked improvements are shown in all important operating relationships. These trends are gratifying because they indicate that progress is being made toward successful operation. They indicate that borrowers' systems are building up more rapidly than had previously been thought probable. Judged by criteria such as these, REA borrowers show a promising future. It is recognized, of course, that these results have not come automatically but have been achieved by the collective efforts of all divisions of REA cooperating with the managements of borrowers' systems.

Circumstances affecting work load. When the rural electrification program was inaugurated in 1935 it was assumed that the greater part of the funds would be lent to existing private companies and that a minor part would be lent to cooperative and other nonprofit associations. The development of the program, however, has been radically different

from this initial assumption. Instead of private companies constituting the major group of borrowers, approximately 93 percent of the loans have been made to cooperative and other non-profit borrowing organizations, set up by farmers in communities under their respective State laws. It should be noted that circumstances guided the lending of public funds to the non-profit type of enterprise so strongly emphasized and favored in the act.

To achieve the objectives of the Congress to make electric power available to as many farmers as possible at lowest rates through self-liquidating loans, means of course that Rural Electrification Administration must perform those activities necessary to safeguard the Government loans and assure the farmers of dependable, adequate electric service. The trend in the development of the cooperative as the principal type of borrower has exerted and still is exerting a dominant influence on the responsibilities and activities of Rural Electrification Administration. This is apparent when it is considered that the cooperatives are newly formed, nonprofit associations of farmers who generally have had no experience in the organization and conduct of large-scale industrial business enterprises, and who have had no experience particularly with the technology and business of electric utilities. As a consequence, it is essential that Rural Electrification Administration give expert aid to the cooperatives in order that they may constitute sound borrowing organizations, established properly in accordance with all applicable laws, and that their electric systems be designed and constructed to conform to all engineering and legal requirements in order to assure a sound base for low cost and efficient service to the farmers. After the lines are built and energized, Rural Electrification Administration must maintain a close working relationship with these borrowers to guide them in establishing an efficient management, including adequate maintenance and economical operation, in order that farmers may receive the benefits of dependable electric service and the Government loans will be properly protected.

Work of the organization. The work of the organization consists therefore of lending activities, helping borrowers to obtain proper electric systems, and protecting the Government loans through management and load-building assistance and through audits and other checks -- all of which is essential to making electric power available to farmers on as economical a basis as possible with due consideration for the security of the Government loans.

SUPPLEMENTAL FUNDS

(Complete Bureau Statement)

Direct Allotments

	Allotments 1941	Estimated Allotments, 1942	Estimated Allotments, 1943
Working fund, Agriculture, REA, (Emergency Management, Coordination between American Republics, War) For the training of citizen engineers of other American Republics in United States methods of rural electrification	a/ $16,080	- -	- -
Total supplemental funds ...	16,080	- -	- -

a/ Of which $15,594 is estimated to be obligated in 1942

BELTSVILLE RESEARCH CENTER

Appropriation Act, 1942, plus $1,245 supplemental for within-grade promotions	$87,865
Second Supplemental National Defense Appropriation Act, 1942 (for guard service and construction of fire protection system.)	10,000
Total available, 1942	97,865
Budget estimate, 1943	105,855
Change from 1942:	
Net increase in working funds	+ 3,450
Additional for administrative promotions	+ 4,540
Net increase	+ 7,990

PROJECT STATEMENT

Project	1941	1942 (estimated)	1943 (estimated)	Increase
Beltsville Research Center	$86,305	$96,620	$100,070	+ $3,450 (1)
Net cost of within-grade promotions	- -	1,245	5,785	+ 4,540
Unobligated balance	315	- -	- -	- -
Total	86,620	97,865	105,855	+ 7,990

(1) The increase of $3,450 in working funds consists of:

(a) A decrease of $1,750, due to the elimination of a nonrecurring item provided in 1942 for the construction of a fire protection system.

(b) An increase of $5,200 in funds available for road maintenance.

Objective: To provide road materials necessary for the proper maintenance and resurfacing of vital main highways and arterial roads at the Beltsville Research Center.

The problem and its significance: There are 67.4 miles of roads to be maintained by the Center, including 31.4 miles with bituminous surfacing. The normal daily traffic load of approximately 1,500 commercial and passenger-carrying vehicles has been increased in recent months by intermittent use of the center roads by the U. S. Army during maneuvers and when working out military operations with heavy mechanized units under actual field conditions. One of the roads most important to center operations is also the connecting link between the Baltimore Boulevard and the Laurel-Bowie road, and carries considerable public traffic in addition to governmental traffic.

The responsibility of maintaining the Center roads in serviceable condition has become an increasing problem requiring constant attention. Without proper maintenance, the investment in roads will become depleted rapidly and necessitate the expenditure of larger sums for reconditioning in later years.

General plan: It is conservatively estimated that the type of bituminous roadway now bearing 85% of the total traffic at the center requires re-surfacing once every three years. The annual cost for materials necessary to do this re-surfacing would be approximately $12,230. The increase of $5,200 requested, plus $4,800 being used this fiscal year, would provide $10,000 for road surfacing material in the fiscal year 1943. No labor costs are included in these estimates, since labor is furnished by Civilian Conservation Corps camps located at the Center. Also, these figures do not take into account gravel or other material which may be needed for maintenance of the more than 50% of the Center roads that have not had bituminous surfacing.

WORK UNDER THIS APPROPRIATION

Objective: The orderly development of the Beltsville Research Center and the maintenance of operating services and related management functions.

The problem and its significance: This appropriation provides, not for research work, but for over-all operating services and related management necessary to the efficient conduct of the research work performed at the Center by 15 units of 10 Bureaus of this Department and several other Federal agencies, such as operation of a sewage disposal system; procurement and maintenance of fire protection equipment; construction and maintenance of roads; operation of mail and messenger services; construction and maintenance of water, gas, and electric distribution lines; provision for emergency first aid service; centralized purchasing of fuel, feed, and other supplies; furnishing of central telephone and guard services; and maintenance of administrative services in connection therewith.

Direct services furnished to the Bureaus, such as heat, electricity, gas, and water, the repair and maintenance of structures and equipment and the conduct of general farm work, as requested by the Bureaus, are performed on a reimbursable basis.

Examples of progress and current problems: Improvement has been made during the past year in the efficiency of the services rendered to the bureaus by the Division of Management and Operations at the Beltsville Research Center. The completion of three large laboratory buildings, a film storage vault and service building, comprising 141,744 square feet of laboratory and office space and their occupation by twelve units of six bureaus of the Department, has resulted in the adoption of new programs and procedure designed to effectuate more efficient practices during current and subsequent years.

The necessity of maintaining an adequate highway system presents one of the most pressing problems confronting the Center organization. This is especially true in view of the national emergency which has brought about the construction of an Army airport at the Center, the movement by the Army of large bodies of troops and heavy mechanized equipment over Center roads,

and the transfer to the Center of additional research activities. This increased Governmental traffic, together with the increased use of the main highways by the general public, will require more maintenance than has been necessary in the past.

The construction of a new warehouse has greatly improved the storage facilities at the Center and has resulted in a more efficient and economical service in handling materials and supplies. During the current year there is being established a system of fire protection designed to protect Government property throughout the Center. Additional guard service has been provided, in order to prevent theft and sabotage of defense work being performed by various units at the Center. There is an urgent need for all possible protection because of the fact that the area, lacking proper fencing, would be subject to damage by saboteurs.

SUPPLEMENTAL FUNDS

(Complete bureau statement)

Direct Allotments

Projects	Allotments, 1941	Estimated allotments, 1942	Estimated allotments, 1943
Public Works Administration, Act of 1938 (Allotment to Agriculture): For construction and improvements at Beltsville Research Center	1/	2/	
Public Works Administration (Allotment to Agriculture): For construction of film storage vault	3/	4/	
Emergency Relief, Agriculture, Beltsville Research Center: Public buildings, parks, utilities, flood control, etc	5/	6/	
Emergency Relief, Agriculture, Federal Construction Projects (Transfer from WPA): For Federal construction projects at the Beltsville Research Center	7/$57,973	--	--
Emergency Relief, Agriculture, Federal Construction Projects (transfer from WPA): For Federal construction projects at the Beltsville Research Center	8/19,537	--	--
Emergency Relief, Agriculture, Administrative Expenses (Transfer from WPA): For administrative expenses in connection with WPA projects	9/5,172	--	--
Emergency Fund for the President, National Defense (Department of Agriculture) (Beltsville Research Center); For repairs and alterations of Government building and transportation costs incident to moving Bureau of Animal Industry units to Beltsville	--	$14,893	--
Total, Supplemental funds	82,682	14,893	--

1/ $418,818 of prior year allotments estimated to be obligated in 1941.
2/ 13,173 of prior year allotments estimated to be obligated in 1942.
3/ $4,268 of prior year allotments estimated to be obligated in 1941.
4/ $43 of prior year allotments estimated to be obligated in 1942.
5/ $97,182 of 1939 allotment estimated to be obligated in 1941.
6/ $2,596 of 1939 allotment estimated to be obligated in 1942.
7/ Of which $1,492 is estimated for obligation in 1942.
8/ Of which $2,296 is estimated for obligation in 1942.
9/ Of which $445 is estimated for obligation in 1942.

INTERCHANGE OF APPROPRIATIONS

This paragraph contains authority to permit transfers, within the limitations indicated by the language thereof, between the appropriations within any bureau, division, or office. It has been carried in the bill for over 30 years and constitutes an absolutely essential administrative management device, especially when emergencies arise during periods when Congress is not in session. Prior to the fiscal year 1939 the limitation for such interchange was fixed at 10 percent. In that fiscal year, this limitation was reduced to 5 percent.

No

The transfers were made under this authority in the fiscal year 1941.

WORK FOR OTHER DEPARTMENTS

Under this item and section 601 of the Economy Act of June 30, 1932 (13 U.S.C. 686), the Department of Agriculture renders services, such as inspections, analyses, and tests of food and other products, to other Government agencies upon request, with transfer of appropriations or reimbursement to the Department of Agriculture in such amounts as may be necessary for the performance of the work. Services of the character indicated are rendered to the Army, Navy, Marine Corps, Veterans' Administration, and other Government agencies. In this way the most advantageous use is made, for the benefit of the Government as a whole, of the various services which the Department of Agriculture is in position to render.

PASSENGER-CARRYING VEHICLES

This paragraph covers the maintenance, operation, and repair of passenger-carrying vehicles. Specific limitations on the number of motor vehicles to be purchased appear in the text pertaining to the several bureaus concerned, and are explained in connection with each separate organization. (An explanation of the proposed change in the language of each bureau limitation appears on page 19 of Volume I of these explanatory notes.) The funds are also provided under the various subject-matter appropriations involved. No funds are provided under this paragraph.

FLOOD CONTROL

(Carried in War Dept. Civil Appropriation Act, for transfer to Department of Agriculture)

Funds covering Preliminary Examinations and Surveys, and the prosecution of works of improvement and measures for run-off and waterflow retardation and soil-erosion prevention on watersheds of streams for which works of improvement for the benefit of navigation and the control of destructive flood waters are authorized by law, are being supplied to the Department of Agriculture by transfer of funds provided under the War Department Civil Appropriation Act, as follows:

Allotment, 1942, ...	$998,342
Budget Estimate, 1943, ...	500,000
Decrease, ...	498,342

PROJECT STATEMENT

Projects	1941	1942 (estimated)	1943 (estimated)	increase or decrease
1. Preliminary examinations and surveys	+$2,700,681	+$2,016,038	+$922,380	
1940 funds available in 1941	- 2,140,757			
1941 funds available in 1942	+ 1,440,076	- 1,440,076		
1942 funds available in 1943		+ 422,380	- 422,380	
Total Project 1	2,000,000	998,342	500,000	-$498,342 (1)
2. Works of improvement	+ 133,442	+ 1,151,956	+1,218,861	
1940 funds available in 1941	- 3,971,000			
1941 funds available in 1942	+ 3,837,558	- 3,837,558		
1942 funds available in 1943		+ 2,685,602	-2,685,602	
1943 funds available in 1944			+1,466,741	
Total project 2	--	--	--	
Total Projects 1 and 2	2,000,000	998,342	500,000	- 498,342 (1)

INCREASES OR DECREASES

The decrease of $498,342 in this item for 1943 consists of:

(1) A net decrease of $498,342 for "Preliminary examinations and surveys", because of the completion of preliminary examinations and surveys, and reduction in the volume of work to be carried out.

WORK UNDER THIS APPROPRIATION

The Omnibus Flood Control Acts of 1936 and 1938, as amended, charge the Departments of Agriculture and War jointly with responsibility for developing and carrying out a national flood control program. The Department of Agriculture is directly responsible for making preliminary examinations and detailed surveys of the watersheds of approximately 578 streams, with a total estimated area of 2,521,300 square miles, and for carrying out "measures for run-off and waterflow retardation and soil erosion prevention on watersheds" in correlation with the War Department program.

The Department of Agriculture in carrying out its flood control program utilizes the facilities of appropriate bureaus, particularly the Soil Conservation Service, the Forest Service, and the Bureau of Agricultural Economics, in performing the necessary work, which is carried out largely in the field. The funds transferred to the Department of Agriculture for improvement works are used for work in coordination with the War Department program on watersheds where flood control projects are authorized by law. In all this work, close cooperation is maintained between the field staff of the Department and the regional officials of the Corps of Engineers, United States Army. In Washington, the work of the cooperating bureaus of the Department of Agriculture is coordinated within that Department and correlated through the Office of the Secretary with the program of the Corps of Engineers, United States Army.

The flood control program of the Department of Agriculture is reviewed by the War Department Subcommittee on Appropriations, in conjunction with the related program of the Army Engineers. It is also reviewed by the House Flood Control Committee, the Senate Commerce Committee, and the Senate Appropriations Committee.

FOREIGN SERVICE PAY ADJUSTMENT, APPRECIATION OF FOREIGN CURRENCIES

No obligations were incurred in 1941 by the Department of Agriculture out of special appropriations made to the State Department, for carrying into effect the provisions of the Act of March 26, 1934, authorizing annual appropriations to meet losses sustained by officers and employees of the United States in foreign countries due to the appreciation of foreign currencies in relation to the American dollar.

MISCELLANEOUS CONTRIBUTED FUNDS, DEPARTMENT OF AGRICULTURE

This account covers miscellaneous contributed funds received by the Department of Agriculture from States, local organizations, individuals, etc., deposited in the Treasury of the United States, and made available for carrying out various cooperative agreements. The amounts obligated thereunder during the fiscal year 1941 and estimated for 1942 and 1943 are:

1941	$55,526
1942 (estimated)	86,500
1943 (estimated)	99,300

MISCELLANEOUS TRUST ACCOUNTS, DEPARTMENT OF AGRICULTURE

These accounts have been established in order to refund moneys received from individuals, etc. and covered into the Treasury of the United States by the Department of Agriculture in excess of the amounts actually earned or due.

There are listed below the several trust accounts involved and the amounts appropriated and obligated during the fiscal year 1941:

Unearned fees and other charges, Section 8a(4), Commodity Exchange Act	$200
Return of Excess Deposits for Reproductions of Photographs, Mosaics and Maps	2,495
Unclaimed Moneys of Individuals Whose Whereabouts are Known	3,294
Total	5,989

FARM CREDIT ADMINISTRATION

(a) SALARIES AND EXPENSES, FARM CREDIT ADMINISTRATION

Source of funds	Appropriation Act 1942	Estimate, 1943	Increase or decrease
1. Appropriation	$3,887,900	$3,168,331	-$719,569
Transferred to-			
(a) Treasury Department	-6,500	- -	-6,500
(b) Salaries and expenses, Bureau of Agricultural Economics, Department of Agriculture	-77,900	-81,707	+3,807
(c) Salaries and expenses, Office of Solicitor, Department of Agriculture	a/-196,430	a/-185,215	-11,215
2. Balance	3,607,070	2,901,409	-705,661(1)
3. Reappropriation (from crop loan funds)	3,660,000	3,699,303	+39,303
Transferred to-			
(a) Salaries and expenses, Office of Solicitor, Department of Agriculture	a/-104,157	a/- 96,227	- 7,930
4. Balance	3,555,843	3,603,076	+47,233(2)
5. Amounts chargeable against corporations or funds serviced or administered by the Farm Credit Administration	1,569,341	2,439,288	+869,947
Transferred to-			
(a) Salaries and expenses, Office of Solicitor, Department of Agriculture	a/-61,420	a/-72,926	+11,506
6. Balance	1,507,921	2,366,362	+858,441(3)
7. Net available to Farm Credit Administration (items 2, 4, and 6)	8,670,834	8,870,847	+200,013

a/ Note: Total transfer to "Salaries and expenses, Office of Solicitor": 1942, $362,007; 1943, $354,368.

INCREASES AND DECREASES

Appropriated funds:

(1) The decrease of $705,661 in appropriated funds available to the Farm Credit Administration for the fiscal year 1943 is a net figure accounted for as follows:

Decreases:

(a) Heretofore the cost of making examinations of Federal and joint stock land banks and Federal intermediate credit banks has been appropriated from the Treasury and when the actual cost of such examinations has been determined, it has been the practice to assess and collect said cost from the banks concerned and to deposit the collections in the Treasury as miscellaneous receipts. It is proposed to assess the respective banks in advance for the probable costs of their examination in 1943. This will permit of a reduction in the appropriation for 1943 of $384,215

(b) Heretofore the expenses of the Washington office of the Farm Credit Administration incident to the supervision of the Federal intermediate credit banks has been paid from appropriated funds. It is proposed to assess the intermediate credit banks for the cost of their supervision in 1943. This will permit of a reduction in the appropriation for 1943 of 189,715

(c) Heretofore the expenses of the Washington office of the Farm Credit Administration incident to the supervision of the production credit corporations has been paid from appropriated funds. It is proposed to assess the production credit corporations for the cost of this supervision in 1943. This will permit of a reduction in the appropriation for 1943 of 230,595

(d) Sub-total 804,525

(e) Deduct amount to be collected from the Federal intermediate credit banks and production credit corporations for transfer to "Salaries and expenses, Office of Solicitor." ..... -12,933

(f) Total decreases 791,592

Increases:

(g) The Federal Credit Union system continues to grow and the number of charters granted is averaging about 65 per month. The average number of credit unions to be supervised in 1942 is estimated at 4550 as compared to an estimated 5200 requiring supervision in 1943. Increase requested 40,367

(h) Requirement for appropriated funds for within-grade promotions $36,974

(i) Net requirement for additional appropriated funds after adjustment in various activities of Farm Credit Administration 8,590

(j) Total increases 85,931

(k) Net decrease (item (f) minus item (j)) 705,661

Reappropriated funds

(2) The increase of $47,233 in reappropriated funds available to the Farm Credit Administration is accounted for as follows:

(a) It is estimated that travel incident to making and collecting of emergency crop and feed loans, principally collection work, will require additional funds of 23,593

(b) Requirement for reappropriated funds for within-grade promotions 23,640

(c) Total increases 47,233

Amounts chargeable against corporations or special funds:

(3) The increase of $858,441 in amounts chargeable against corporations or special funds, available to Farm Credit Administration is accounted for as follows:

Increases:

(a) To be collected from Federal and joint stock land banks Federal intermediate credit banks, and production credit corporations (see explanation under items (1) a, b, c, Appropriated Funds) (Same total as (1) f) 791,592

(b) Net requirement for additional funds from other corporations and special funds for services to be rendered by Farm Credit Administration 57,229

(c) An increase in the amount of fees collected under the Federal Credit Union Act of June 26, 1934 9,620

(d) Total increases 858,441

In explanation of the foregoing tabulation of increases and decreases by sources of funds, the Farm Credit Administration makes its facilities available to and renders services for various agencies pursuant to authority of law and is reimbursed for the cost of such facilities and services by the institutions or agencies for which the services are

performed or collects fees therefor pursuant to statutory authority. The budget estimate, therefore, reflects estimates of the amount of funds which will be available to the Administration from sources other than by appropriation from the Federal Treasury. There is set forth below a statement showing by sources of funds the total amounts contained in the Budget proposed for the fiscal year 1943.

Sources of funds, 1943:

1. To be appropriated from the general funds of the Treasury	$3,168,331
2. To be reappropriated, from funds previously appropriated for the making and collecting of crop loans pursuant to the Act of January 29, 1937, for administrative expenses in connection with the making and the collecting of crop, feed and drought loans in 1943	3,699,303
3. To be obtained from the Federal Farm Mortgage Corporation for services and facilities made available by the Farm Credit Administration	982,088
4. To be obtained from the Central Bank for Cooperatives for services and facilities made available by the Farm Credit Administration.....	165,137
5. To be obtained from the Reconstruction Finance Corporation for supervision of regional agricultural credit corporations. These corporations were chartered by the Reconstruction Finance Corporation and were transferred to the Farm Credit Administration by Executive Order on May 27, 1933. Under existing law the Reconstruction Finance Corporation is required to pay the cost of their supervision	90,713
6. To be obtained from assessments for the cost of supervision of Federal intermediate credit banks	189,715
7. To be obtained from assessments for the cost of supervision of production credit corporations	230,595
8. To be obtained from assessments for examinations of banks for cooperatives, production credit corporations, and production credit associations	238,030
9. To be obtained from assessments for examinations of Federal and joint stock land banks and Federal intermediate credit banks.....	384,215
10. To be obtained from fees collected under the Federal Credit Union Act of June 26, 1934. This Act provides for an application fee of $5, a charter fee of $20, an annual supervision fee of not to exceed $10, and fees for examinations made by the Farm Credit Administration	158,795
Total	9,306,922

Transfers to:

"Salaries and expenses, Bureau of Agricultural Economics"	-$ 81,707
"Salaries and expenses, Office of the Solicitor"	- 354,368
Net available to Farm Credit Administration	8,870,847

The transfer to "Salaries and expenses, Bureau of Agricultural Economics, Department of Agriculture" is to come out of the funds appropriated from the Treasury. Of the $354,368 to be transferred to "Salaries and expenses, Office of the Solicitor, Department of Agriculture", $185,215 is to come out of the amount appropriated from the Treasury, $96,227 is to come from amounts reappropriated from crop loan funds, and $72,926 is to come from various corporations and agencies for which services are being rendered by the Farm Credit Administration.

CHANGE IN LANGUAGE

The estimates include proposed changes in the language of this item, as follows:

1. Add the words "including printing and binding;" after the opening general purpose clause.

This change in language would move forward the printing and binding item already contained in the present language. This is to improve arrangement and reduce the number of words used without expanding or limiting the purposes and authority covered by the present language.

2. Delete the words "contingent and miscellaneous expenses, including."

This deletion is suggested for the reasons set forth in explanation of item (1) on the basis that the appropriation will be available for contingent and miscellaneous expenses without the use of these words.

3. Delete the words "and expert services for the preparation of amortization tables."

This deletion is suggested for the reasons set forth in explanation of item (1) on the basis that the item carried elsewhere authorizing the employment of special services is sufficient authorization, thus making unnecessary the use of the words proposed for deletion.

4. Delete the words "and other miscellaneous expenses."

This deletion is suggested for the reasons set forth in explanation of item (1) on the basis that the general language of the appropriation is sufficient to authorize its use for miscellaneous expenses without the use of the words proposed for deletion.

5. Add the words "except that the amounts collected from the Federal land banks, joint stock land banks, and Federal intermediate credit banks pursuant to the Act of July 17, 1916, as amended (12 U.S.C. 657) shall be covered into the Treasury and credited to a special fund, and the Administration shall estimate the cost to the Farm Credit Administration of supervising the Federal intermediate credit banks and the production credit corporations for the fiscal year 1943 and shall apportion the amount so determined among such banks and corporations on such equitable basis as said Administration shall determine, and shall assess and collect such amounts in advance from such banks and corporations and the amount so collected shall be covered into the Treasury and credited to said special fund, which fund is hereby made available to said Administration for expenditure for the purposes set forth in this appropriation: Provided further, that as soon as practicable after June 30, 1943, said Administration shall determine, on a fair and reasonable basis, (1) the cost of the examination services rendered during the fiscal year 1943 to each Federal land bank, joint stock land bank and Federal intermediate credit bank and (2) the amount which fairly and equitably should be allocated to each Federal intermediate credit bank and each production credit corporation as the cost during the fiscal year 1943 of supervisory services, and if the sum of these two items in any case is greater than the total amount collected from the bank or the corporation concerned, the difference shall be collected from such bank or corporation or, if less, shall be refunded from said special fund to the bank or the corporation entitled thereto."

The Federal Farm Loan Act, as amended (12 U.S.C. 657) provides that the expenses and salaries of employees of the Farm Credit Administration engaged in the examination of Federal land banks, joint stock land banks, and Federal intermediate credit banks shall be paid by such banks pursuant to assessments therefor made by the Administration. It has been the practice of the Administration in giving effect to this provision of the act to obtain annual appropriations from the Treasury to cover the estimated cost thereof, and when the actual cost of such examinations has been determined, to assess and collect said cost and to deposit the collections in the Treasury as Miscellaneous Receipts. It is proposed in the fiscal year 1943 to assess these costs against the institutions in advance on the basis of the estimated expenses to be incurred, to use these collections directly for examination expenses, and to adjust the preliminary assessments to actual cost at the end of the fiscal year. By so doing it becomes unnecessary to ask for an appropriation for this work for the fiscal year 1943 because funds will be made available in advance by the banks for the purpose. It is also proposed to assess against the Federal intermediate credit banks and production credit corporations costs to the Farm Credit Administration of their supervision for the fiscal year 1943. Federal intermediate credit banks and production credit corporations are wholly-owned government corporations and in line with the general practice of having all wholly-owned government corporations pay the entire cost of their operations and supervision, no amount is being included in the budget for the fiscal year 1943 for appropriation from the Treasury to cover the cost of Washington supervision of these banks and corporations. It is proposed to have the estimated cost of supervision for these institutions assessed and collected in advance, to use these collections directly for supervisory expenses, and to adjust the preliminary assessments to actual cost at the end of

the fiscal year. This change in language makes possible a reduction of approximately $800,000 in the amount of appropriation from the Treasury that would otherwise be necessary for the fiscal year 1943.

6. Delete the words "under the Acts of January 29, 1937 (50 Stat. 5), February 9, 1937 (50 Stat. 8, 11), February 4, 1938 (52 Stat.26), June 30, 1939 (53 Stat. 939), and June 25, 1940 (54 Stat. 568-569)" and insert in lieu thereof "pursuant to the Act of January 29, 1937 (50 Stat. 5)."

This deletion is suggested for the reasons set forth in explanation of item (1) on the basis that the references identifying the acts of Congress to be deleted are unnecessary because they are enactments making appropriations pursuant to the Act of January 29, 1937, which is the basic general act authorizing the making of crop production and harvesting loans to farmers.

7. Delete the words "of which $77,900 shall be transferred to and made a part of the appropriation 'Salaries and expenses, Bureau of Agricultural Economics.'"

This deletion is suggested because provision for the transfer between appropriations is included in the wording of the appropriation item for the Bureau of Agricultural Economics, and repetition here is unnecessary.

WORK UNDER THIS APPROPRIATION

General statement

The Farm Credit Administration supervises, coordinates, and administers a national program of agricultural credit pursuant to Executive Order No. 6084, dated March 27, 1933, and the various acts referred to in the following brief description of the functions of the respective institutions, funds, or activities

1. The Federal land banks and national farm loan associations were established pursuant to the provisions of the Federal Farm Loan Act, approved July 17, 1916 (39 Stat. 360). The twelve Federal land banks, established in 1917, under this authority and in conjunction with national farm loan associations, provide farmers with long term credit for financing the purchase of land, the erection of buildings, the purchase of machinery and equipment, the liquidation of indebtedness incurred for agricultural purposes (or incurred prior to January 1, 1937), and for other agricultural purposes.

2. The Federal intermediate credit banks were established pursuant to the provisions of the Agricultural Credits Act of 1923, approved March 4, 1923 (42 Stat. 1454). The twelve intermediate credit banks, established in 1923, are agricultural banks of discount and are not authorized to make loans to individuals. The loans and discounts made by the banks must be for agricultural purposes and have a maturity at the time they are made or discounted by the banks of not more than three years.

3. The production credit corporations and associations were established pursuant to the provisions of the Farm Credit Act of 1933, approved June 16, 1933 (48 Stat. 257). The twelve production credit corporations, organized in 1933, were established to organize, to assist in capitalizing, and to supervise the

operations of the production credit associations. The associations, of which there were 538 on June 30, 1941, are composed of farmer-borrowers organized to meet the production credit needs of local agricultural communities by making loans and discounting them with the Federal intermediate credit banks.

4. The banks for cooperatives were established pursuant to the provisions of the Farm Credit Act of 1933, approved June 16, 1933 (48 Stat. 257). These banks extend credit to cooperative associations of farmers engaged in (1) processing, preparing for market, handling or marketing farm products; (2) purchasing, testing, grading, processing, distributing, or furnishing farm supplies; or (3) furnishing farm business services. In addition to the twelve district banks for cooperatives, there is a Central Bank for Cooperatives which makes loans to farmers' cooperative associations of national or broad regional scope. The division of lending authority between the Central Bank for Cooperatives and the district banks for cooperatives is prescribed by the Governor of the Farm Credit Administration in such manner as best prevents duplication of effort and secures greatest efficiency in extending benefits to borrowers.

5. The emergency crop and feed loan activities have been administered pursuant to the provisions of the acts of June 29, 1937 (50 Stat. 5), and February 4, 1938 (52 Stat. 26), and various prior acts. As a part of its emergency aid to agriculture, Congress has made available funds for emergency loans to farmers for crop production, the purchase of feed for livestock, and for similar purposes. Prior to 1932, such loans were restricted to flood, drought, or storm-stricken areas, but in recent years, with the exception of the 1934 drought relief appropriation, there has been no limitation as to area.

6. The regional agricultural credit corporations were established pursuant to the provisions of the Emergency Relief and Construction Act of 1932, approved July 21, 1932 (47 Stat. 713). These corporations were organized by the Reconstruction Finance Corporation in accordance with section 201(e) of that act. The corporations were placed in voluntary liquidation in 1934, following the establishment of the production credit system.

7. The Federal Credit Union Act, approved June 26, 1934 (48 Stat. 1216), authorized the Governor of the Farm Credit Administration to grant corporate charters to Federal credit unions, which are defined, according to the act, as cooperative associations organized pursuant to the provisions of the act for the purpose of promoting thrift among their members and creating a source of credit for provident or productive purposes. The responsibilities of the Farm Credit Administration in respect to the Federal credit unions are supervisory in character, consisting of dissemination of information regarding the purposes and scope of the Federal Credit Union Act, investigation of applications for charters and passing on the issuance therof, issuance of regulations, review of periodic reports, field visits, and examination of the accounts of the credit unions.

8. Joint stock land banks were organized pursuant to the provisions of the Federal Farm Loan Act, approved July 17, 1916 (39 Stat. 360). Joint stock land banks are privately capitalized institutions and are managed by officers who are chosen by boards of directors elected by stockholders. They are subject to the general supervision of, and are examined by, the Farm Credit Administration. The Emergency Farm Mortgage Act of 1933, approved May 12, 1933 (48 Stat. 46), provided that after that date no joint stock land bank should issue new tax-exempt bonds or make any farm loans except as might be necessary and incidental to the refinancing of existing loans or bond issues or to the sale of real estate. On June 30, 1941, 32 joint stock land banks, excluding 6 in receivership, were still in process of liquidation. The Emergency Farm Mortgage Act also established a fund to be administered by the Farm Credit Administration to assist the banks in their liquidation. The fund has now lapsed and the one small loan owing to the fund on June 30, 1941, has been liquidated.

9. The Agricultural Marketing Act, approved June 15, 1929, (46 Stat. 11), authorized the establishment of a revolving fund of $500,000,000 for use by the Federal Farm Board in making loans to cooperative associations and to stabilization corporations. The purpose of the fund, as expressed in the act, was to protect, control, and stabilize the currents of interstate and foreign commerce in the marketing of agricultural commodities and their food products. The supervision and administration of the fund were transferred to the Farm Credit Administration by Executive Order No. 6084, dated March 27, 1933. With the organization of the banks for cooperatives in 1933, the fund was placed in liquidation.

10. Pursuant to the provisions of the Cooperative Marketing Act of 1926 (44 Stat. 802), the Farm Credit Administration renders services to associations of producers of agricultural products and federations and subsidiaries thereof engaged in the cooperative marketing of agricultural products including processing, warehousing, manufacturing, storage, and the cooperative purchasing of farm supplies, credit, financing, insurance, and other cooperative activities.

(Note: A budget statement pertaining to the activities of the Federal Farm Mortgage Corporation is covered in a separate submission)

This appropriation provides for the general administrative expenses of the Farm Credit Administration in discharging its responsibilities for supervision, coordination, and examination of the banks and corporations named above, the making and collecting of emergency crop, feed, and seed loans, the liquidation of the Agricultural Marketing Revolving Fund, and the extension of services to cooperative associations of agricultural producers. With the exception of the crop loan program which is administered by employees of the Farm Credit Administration, the present agricultural lending program under the supervision of the Farm Credit Administration is carried forward through corporations operating in the twelve farm credit districts into which the Continental United States is divided.

Current program

Under the programs being followed at this time by the permanent units comprising the Farm Credit System, two major points are being particularly emphasized. These are as follows:

1. Making such changes in policies as are necessary to successfully meet the constantly changing conditions facing agriculture under the existing emergency and under the probable situations which will develop following the emergency. Every effort is being made to supply legitimate credit needs including sound credit required to meet production goals set for agriculture. Likewise, every effort is being made to follow sound collection policies with respect to the reduction of indebtedness out of increased income. The use of credit for unwarranted expansion or speculative enterprises is being discouraged. Farmers are being encouraged to provide a reserve for themselves out of increased income through advance payment on real estate loans and the purchase of defense bonds. These latter measures are designed to aid in the curbing of inflationary tendencies as well as the sound use of credit.

2. Continued efforts are being made to render better and more economical credit service to agriculture. This program includes studied efforts (a) to decentralize operations by establishing contact points more readily available to farmers, (b) to reduce the cost of the service, and (c) to otherwise render an improved type of service by the elimination of delay and inconvenience to farmers. This requires a constant review of procedures looking toward the elimination of unnecessary detail and a continuous study of the organization and established facilities in order to obtain maximum service at a minimum cost.

The Farm Credit Administration furnishes leadership to the units in the formulation of policies which will accomplish the foregoing objectives and in the working out of ways and means of making them effective in actual operation.

Selected data on operations of the agricultural lending programs

There follow tables which reflect the amount of loans made during the last three years, the amount of loans outstanding as of the end of each such year, the gross assets at the end of each such year, and selected comparative data for each of the programs administered by or under the supervision of the Farm Credit Administration.

FARM CREDIT ADMINISTRATION

Table 1. Amount of loans made, by fiscal years, 1939 through 1941

Institution	1939	1940	1941
Farm mortgage loans:			
Federal land banks	$51,033,849	$55,820,107	$69,606,525
Federal Farm Mortgage Corporation	27,947,259	30,251,371	40,208,440
Joint stock land banks	332,145	208,322	52,954
Total	79,313,253	86,279,800	109,867,919
Short-term credit:			
Production credit associations a/ b/	310,433,592	328,731,247	383,864,580
Emergency crop loans	15,143,761	18,725,075	18,429,054
Regional agricultural credit corporations a/	4,726,775	4,901,892	4,220,382
Federal intermediate credit banks (excluding loans to cooperatives) a/	461,914,786	467,278,683	567,427,645
Total	792,218,914	819,636,897	973,941,661
Loans to cooperatives:			
Federal intermediate credit banks a/	2,732,206	4,642,593	4,697,958
Banks for cooperatives	86,161,002	90,117,446	130,900,052
Agricultural Marketing Revolving Fund a/	7,080,000	658,800	3,279,420
Total	95,973,208	95,418,839	138,877,430
Subtotal	967,505,375	1,001,335,536	1,222,687,010
Joint stock land bank liquidation fund	- -	- -	- -
Federal credit unions	60,630,401	90,092,632	124,958,341
Grand total	1,028,135,776	1,091,428,168	1,347,645,351

a/ Includes renewals.

b/ Includes data for associations which have been placed in liquidation.

FARM CREDIT ADMINISTRATION

Table 2. Amount of loans outstanding as of June 30 for specified years

Institution	1939	1940	1941
Farm mortgage loans:			
Federal land banks	$1,940,586,076	$1,880,408,005	$1,817,937,635
Federal Farm Mortgage Corporation	717,622,044	668,850,213	630,118,518
Joint stock land banks	78,511,006	55,060,439	43,630,085
Total	2,736,719,126	2,604,318,657	2,491,686,238
Short-term credit:			
Production credit associations a/	187,711,501	200,415,302	221,418,627
Emergency crop loans	126,344,102	129,547,685	129,800,222
Drought relief loans	53,822,295	51,670,712	49,686,621
Regional agricultural credit corporations	10,235,468	7,767,654	6,657,881
Federal intermediate credit banks (excluding loans to cooperatives)	230,152,762	236,441,253	266,701,076
Total	608,266,128	625,842,606	674,264,427
Loans to cooperatives:			
Federal intermediate credit banks	359,106	897,190	689,061
Banks for cooperatives	59,576,528	62,176,819	73,746,996
Agricultural Marketing Revolving Fund	22,592,138	18,199,364	15,643,543
Total	82,527,772	81,273,393	90,079,600
Subtotal	3,427,513,026	3,311,434,956	3,256,030,265
Joint stock land bank liquidation fund	33,982	4,436	2,883
Federal credit unions	30,917,933	47,476,706	68,439,101
Grand total	3,458,464,941	3,358,916,098	3,324,472,249

a/ Includes data for associations which have been placed in liquidation.

FARM CREDIT ADMINISTRATION

Table 3. Gross assets as of June 30 for specified years

Institution	1939	1940	1941
Farm mortgage credit:			
Federal land banks	$2,390,342,786	$2,363,924,919	$2,283,232,240
Federal Farm Mortgage Corporation	1,665,468,968	1,558,415,400	1,509,472,342
Total	4,055,811,754	3,922,340,319	3,792,704,582
Short-term credit:			
Production credit corporations	122,327,501	122,562,978	110,901,691
Production credit associations	287,233,928	301,980,355	314,533,462
Emergency crop and drought relief loans	212,849,992	209,946,292	202,057,500
Federal intermediate credit banks	317,367,668	333,721,663	322,113,915
Banks for cooperatives	178,140,617	177,036,598	128,196,142
Total	1,117,919,706	1,145,247,886	1,077,802,710
Institutions in process of liquidation:			
Regional agricultural credit corporations	21,992,061	22,228,281	22,498,898
Agricultural Marketing Revolving Fund a/	261,681,995	261,653,199	262,493,284
Joint stock land banks	180,315,870	149,574,347	115,266,407
Total	463,989,926	433,455,827	400,258,589
Subtotal	5,637,721,386	5,501,044,032	5,270,765,881
Joint stock land bank liquidation fund	34,165	4,460	2,899
Federal credit unions	37,750,988	53,930,646	87,703,985
Grand total	5,675,506,539	5,559,979,138	5,358,472,765

a/ Includes loans to Stabilization Corporations.

FEDERAL LAND BANKS

Table 4. Selected comparative data

Item	June 30, 1939	June 30, 1940	June 30, 1941
Gross assets	$2,390,342,786	$2,363,924,919	$2,283,232,240
Loans outstanding:			
Number	622,657	616,308	608,145
Amount	$1,940,586,076	$1,880,408,005	$1,817,937,635
Loans closed during year ended:			
Number	13,862	14,735	18,155
Amount	$51,033,849	$55,820,107	$69,606,525
Repayments of loans during year ended	$84,133,048	$95,007,779	$107,197,422
Loans delinquent:			
Number	137,031	142,152	121,538
Amount	$477,290,663	$476,618,396	$402,624,239
Percent of loans delinquent:			
Number	22.0	23.1	20.0
Amount	24.6	25.3	22.1
Real estate and sheriffs' certificates acquired during the year ended:			
Number	11,188	7,871	5,515
Investment	$45,055,859	$33,796,765	$22,710,883
Real estate and sheriffs' certificates disposed of during the year ended:			
Number:			
Whole	8,851	10,844	9,642
Part	975	1,002	821
Investment	$33,785,996	$43,858,054	$42,279,522
Real estate and sheriffs' certificates on hand:			
Number	26,161	23,136	18,799
Investment	$127,002,235	$117,338,519	$97,277,300
Bonds outstanding	$1,794,765,460	$1,735,985,940	$1,714,169,140
Capital stock and surplus paid in United States Government	$313,942,505	$312,772,745	$213,483,311
Capital stock owned by borrowers	$112,454,803	$111,047,425	$109,487,013

FEDERAL INTERMEDIATE CREDIT BANKS

Table 5. Selected comparative data

Item	June 30, 1939	June 30, 1940	June 30, 1941
Gross assets	$317,367,668	$333,721,663	$322,113,915
Loans and discounts outstanding	230,511,868	237,338,443	267,390,138
Loans and discounts made during year ended	464,646,992	471,921,276	572,125,603
Debentures outstanding	195,400,000	210,300,000	234,665,000
Debentures issued during year	266,825,000	293,950,000	352,015,000
Franchise tax paid	760,141	685,050	547,934
Capital stock and surplus owned by U. S. Government	100,000,000	100,000,000	60,000,000

PRODUCTION CREDIT CORPORATIONS AND ASSOCIATIONS

Table 6. Selected comparative data

Item	June 30, 1939	June 30, 1940	June 30, 1941
Production Credit Corporations:			
Gross assets	$122,327,501	$122,562,978	$110,901,691
Production Credit Associations:			
Gross assets	$287,233,927	$301,980,355	$314,533,462
Number of associations	545	537	1/538
Borrower membership	266,743	259,589	257,809
Loans made during year ended	$310,433,592	$328,598,651	$383,864,560
Loans outstanding	$187,711,501	$200,415,302	$221,418,627
Stock owned by borrowers (Class B)	$15,581,612	$16,662,492	$18,321,512
Stock owned by production credit corporations (and others) (Class A)	$76,409,773	$77,130,032	2/$64,545,062

1/ Includes 529 active associations and 9 associations in liquidation.

2/ Of this amount, $721,375 is owned by individuals.

BANKS FOR COOPERATIVES

Table 7. Selected comparative data

Item	June 30, 1939	June 30, 1940	June 30, 1941
Gross Assets	$178,140,617	$177,036,598	$128,196,142
Number of borrowing cooperatives	1,645	1,690	1,738
Loans and advances made during year ended ...	$86,161,002	$90,117,447	$130,900,052
Loans outstanding	$59,576,528	$62,176,819	$73,746,996
Notes purchased from cooperatives under CCC contracts to purchase during year ended ...	- -	$2,720,593	$27,518,398
Notes purchased from cooperatives under CCC contracts to purchase outstanding	- -	$1,156,610	$2,726,236
Capital stock or guaranty fund owned by borrowers	$3,134,000	$3,384,300	$3,790,100
Capital stock owned by U. S. Government	$149,000,000	$149,000,000	$89,000,000

EMERGENCY CROP, FEED, AND SEED LOANS

Table 8. Selected comparative data 1/

	Loans made		Principal collected		Balance outstanding June 30, 1941	
	Number	Amount	Amount	Percent	Number	Amount
Emergency crop, feed, and seed loans:						
1918 - 1919	15,973	$4,200,883	$3,148,433	74.9	3,884	$1,052,450
1921 - 1931	559,542	70,835,686	52,788,531	74.5		(18,047,155
1932 - 1933	1,141,217	121,580,443	90,182,571	74.2		(31,397,872
1934	445,189	37,891,586	24,216,971	63.9		(13,674,615
1935	424,441	57,419,914	31,480,805	54.9	1,001,981	(25,939,109
1936	188,944	16,629,190	13,069,882	78.6		(3,559,308
1937	252,894	32,503,280	21,652,485	66.6		(10,850,795
1938	174,557	19,647,535	15,549,672	79.1	41,466	4,097,863
1939	139,452	15,079,509	13,560,244	89.9	22,179	1,519,265
1940	160,791	19,516,630	15,400,421	78.9	44,712	4,116,209
1941 (thru June 30)	134,313	15,769,689	224,108	1.4	133,363	15,545,581
Total	3,637,313	411,074,345	281,274,123	68.4	1,247,585	129,800,222
Drought loans:						
1934 - 1935	300,614	72,008,540	22,321,919	31.0	211,942	49,686,621
Grand total	3,937,927	484,082,885	303,596,042	62.8	1,459,527	179,486,843

1/ This data prepared on a calendar (crop) year basis in order to relate collections to loans made. For loan receipts and disbursements on a fiscal year basis see green sheet tabulation.

REGIONAL AGRICULTURAL CREDIT CORPORATIONS

Table 9. Progress in liquidation of outstanding loans since April 30, 1934

Period	Balance outstanding at beginning of period	Net reduction during period: Amount	Net reduction during period: Percent of beginning balance	Balance outstanding at end of period
1934 (May - December)	$144,671,174	$57,569,415	39.8	$87,101,759
1935	87,101,759	43,701,573	50.2	43,400,186
1936	43,400,186	18,112,426	41.7	25,287,760
1937	25,287,760	9,695,942	38.3	15,591,818
1938	15,591,818	4,510,521	28.9	11,081,297
1939	11,081,297	3,076,549	27.8	8,004,748
1940	8,004,748	2,149,656	26.9	5,855,092
1941 (January - June)	5,855,092	1/ - 802,789	-13.7	6,657,881

1/ In January 1941 a branch office of the Regional Agricultural Credit Corporation of Salt Lake City was established at Wenatchee, Washington, to make loans to fruit growers in the Wenatchee District of the State of Washington who were in immediate need of credit for the production of crops, the preservation of their orchards, and other agricultural purposes. Loans made for this purpose account for the net increase in the balance of loans outstanding during the period.

FEDERAL CREDIT UNIONS

Table 10. Selected comparative data

Item	June 30, 1939	June 30, 1940	June 30, 1941
Number of credit unions chartered (cumulative)	3,347	3,991	4,589
Number of active credit unions	3,006	3,533	4,026
Number of members	748,683	1,007,132	1,285,516
Number of potential members	1,820,701	2,392,083	3,205,279
Aggregate of share balances	$34,663,796	$54,032,054	$80,255,602
Amount loaned during year ended	$60,630,401	$90,092,632	$124,958,341
Average size of loan made since organization	$88	$96	$106
Average size of credit union in terms of assets	$12,647	$16,685	$22,031
Average number of members per credit union	251	285	323
Number of Federal credit unions reporting	2,985	3,532	3,981

JOINT STOCK LAND BANKS

Table 11. Selected comparative data

(Including banks in receivership)

Item	May 1, 1933	June 30, 1940	June 30, 1941
Gross assets	$576,937,505	$149,574,346	$115,266,407
Number of banks	50	41	38
Loans outstanding:			
Number	81,498	16,071	13,241
Amount	$438,758,148	$55,582,395	$43,630,085
Loans delinquent	$256,549,398	$11,982,414	$8,475,189
Percent delinquent	58.5	21.6	19.4
Number of properties held	11,131	6,031	4,179
Real estate, sheriffs' certificates, purchase money mortgages, contracts, and real estate notes receivable	$108,630,111	$74,435,384	$59,449,261
Bonds and notes payable	$501,707,484	$120,784,214	$91,897,020

AGRICULTURAL MARKETING REVOLVING FUND

Table 12. Progress in liquidation

Date	Loans outstanding	Balance of assets acquired in liquidation of loans
May 26, 1933	$466,242,668	- -
December 31, 1933	334,091,770	$3,464,226
December 31, 1934	146,910,639	289,725
December 31, 1935	115,858,541	606,355
December 31, 1936	121,761,863	594,465
December 31, 1937	98,970,777	9,265,868
December 31, 1938	91,183,004	8,596,988
December 31, 1939	87,207,043	8,073,060
December 31, 1940	1/ 16,461,370	7,707,201
June 30, 1941	15,643,543	6,978,825

1/ During the year 1940, loans to stabilization corporations were reported to the Comptroller General of the United States for collection, and therefore have been removed from loans outstanding.

FEDERAL FARM MORTGAGE CORPORATION

(a) SALARIES AND EXPENSES, FEDERAL FARM MORTGAGE CORPORATION a/

Appropriation Act, 1942	$8,350,000
Budget estimate, 1943	9,050,000
Increase	700,000

a/ To be paid from funds of the Federal Farm Mortgage Corporation

INCREASES AND DECREASES

The proposed increase of $700,000 required for administrative expenses of the Federal Farm Mortgage Corporation for the fiscal year 1943 represents an estimated increase of $715,511 in the expenses of the Federal land banks for handling the Corporation's business, and an increase of $81,784 for the services and facilities furnished the Corporation by the Farm Credit Administration. These two amounts total $797,295, which together with an increase of $5,944 in transfers to other agencies, give a total increase of $803,239. Offsetting this increase is a reduction of $103,239 in the estimated expense of handling bond transactions and certain fiscal operations of the Federal Farm Mortgage Corporation. This reduction in bond expense is made possible primarily by reason of the recent Treasury policy whereby all financing of government guaranteed bonds will be handled by the Treasury Department itself, rather than by the agency concerned. The anticipated increase in the cost of services to be performed by Federal land banks as agents of the Federal Farm Mortgage Corporation and by the Farm Credit Administration in furnishing services and facilities to the Corporation is in anticipation of the extension of the loaning life of the Corporation (which expires June 1, 1942, under existing law) and a continuation of the upward trend in the number and amount of new loans being made and also in anticipation of the increased loan servicing requirements designed to give greater individual attention to greater numbers of loans in distressed condition. In order to afford worthy borrowers every possible opportunity to work out of their seriously distressed condition under the more favorable farm income situation which appears in prospect, it will be necessary to review many temporary arrangements heretofore made looking towards a more permanent solution of the borrowers' problems which may involve the adjustment of repayment terms and other special remedies, particularly adaptable to special cases.

A tabulation of selected data on the business and operations of the Federal Farm Mortgage Corporation is contained elsewhere in this report and reflects more fully the trends in the Corporation's affairs.

CHANGE IN LANGUAGE

None

WORK UNDER THIS APPROPRIATION

General Statement

The Federal Farm Mortgage Corporation was created by the Federal Farm Mortgage Corporation Act, approved January 31, 1934 (48 Stat. 344). It is a wholly owned government corporation designed (1) to assist in financing the Federal land banks during periods of emergency, and (2) to provide funds for loans to be made by the Land Bank Commissioner, pursuant to the provisions of Section 32 of the Emergency Farm Mortgage Act of 1933 (48 Stat. 48).

The business of the Corporation is handled for it by other agencies or departments of the government authorized by law to make their services and facilities available to the Corporation. Services are performed for the Corporation by the Farm Credit Administration; the twelve Federal land banks, one in each Farm Credit District; the Federal reserve banks; the Treasury Department; and the Bureau of Agricultural Economics of the Department of Agriculture. The expenses of the Corporation are incurred originally by the agencies performing the service for the Corporation and the Corporation reimburses each of them for the services so rendered. It is estimated that $9,050,000 of the funds of the Corporation will be required for this purpose in 1943.

There follows a summarization of the estimates of the amount of expenses to be incurred by the various offices and agencies in performing services for the Corporation:

1. Federal land banks. The Federal land banks as agents of the Federal Farm Mortgage Corporation make and service Land Bank Commissioner loans on behalf of the Corporation. It is estimated that the cost of such services will be $7,920,607

2. Farm Credit Administration, Washington, D. C. The administration in Washington through its personnel and the facilities available to it furnishes legal advice, statistical and research information, maintains the Corporation's Central Office accounting records, audits its vouchers prior to disbursement, exercises supervision over the Federal land banks in the making and servicing of the Corporation's loan business and serves in other advisory or administrative capacities. The cost of such services is estimated at..... 982,088

3. United States Treasury Department:

Bureau of Engraving and Printing. The bonds of the Corporation are prepared by the Bureau of Engraving and Printing. It is estimated that the cost of preparing and issuing new bonds by the Bureau of Engraving and Printing will be..... $ 6,761

Public Debt Service. The Public Debt Service receives Corporation bonds from the Bureau of Engraving and Printing and retains custody of them until shipped to Federal reserve banks for issuance; maintains records concerning outstanding Corporation bonds and unissued coupon bonds in the hands of Federal reserve banks; audits the accounts of the Federal reserve banks with respect to the issuance of Corporation bonds; handles bond exchange transactions and maintains proper records in connection therewith; and audits canceled securities. The estimated cost of these services is... 40,000

Treasurer of the United States. The Treasurer of the United States acts as custodian for securities owned by the Corporation; acts as depositary for the cash of the Corporation; redeems the bonds and interest coupons when matured, and issues and pays checks on the basis of certificates of the Public Debt Service for interest on registered bonds. The cost of these services is estimated at..... 16,000

4. Federal reserve banks. The Federal reserve banks as fiscal agents of the United States maintain stocks of unissued Federal Farm Mortgage Corporation coupon bonds for the purpose of making denominational exchange. They also receive subscriptions to purchase Corporation bonds when they are publicly offered and make delivery of the bonds and collect the proceeds of the sales for the account of the Corporation. They also pay, when presented, matured interest coupons and bonds of the Corporation for which they are reimbursed from Corporation funds on deposit with the Treasurer of the United States. The cost of services to be performed by the Federal reserve banks is estimated at..... 30,000

5. Bureau of Agricultural Economics, Department of Agriculture

The Bureau of Agricultural Economics of the Department of Agriculture renders services to the Mortgage Corporation in the formulating of programs for the better adaptation of farm mortgage loans to the requirements

of sound land use and agricultural adjustment in various states and localities. The cost of the services of the Bureau of Agricultural Economics in this connection for the year 1943 is estimated at..... $ 52,444

6. Miscellaneous general. It is estimated that there will be miscellaneous expenses to be paid by the Corporation to others than the agencies enumerated in the amount of 2,100

Total estimated administrative expenses..... $9,050,000

Current program

Under the program being followed at this time by the Federal Farm Mortgage Corporation, two major points are being particularly emphasized. These are as follows:

(1) Making such changes in policies as are necessary to successfully meet the constantly changing conditions facing agriculture under the existing emergency and under the probable situations which will develop following the emergency. Every effort is being made to supply legitimate credit needs. Likewise, every effort is being made to follow sound collection policies with respect to the reduction of indebtedness out of increased income. The use of credit for unwarranted expansion or speculative enterprises is being discouraged. Farmers are being encouraged to provide a reserve for themselves out of increased income through advance payments on real estate loans and the purchase of defense bonds. These latter measures are designed to aid in the curbing of inflationary tendencies as well as the sound use of credit.

(2) Through the Federal land banks which are the agents of the corporation in servicing its loans, a program is being developed which contemplates a greater degree of decentralization by placing more authority in the local national farm loan associations which have more intimate contacts and knowledge of the servicing problems arising in connection with individual loans. The extreme variety of the difficulties and circumstances encountered in servicing delinquent and distressed loans has demonstrated the desirability of a program of more intensive individual servicing of these loans under which the available collection and forbearance methods and remedies can be adapted to the particular needs and propects for each loan.

Selected data on operations

There follow comparative statements of condition of the Federal Farm Mortgage Corporation as of June 30, 1941, and June 30, 1940, and other selected data concerning its lending operations, etc.

FEDERAL FARM MORTGAGE CORPORATION

Comparative statements of condition, as of June 30, 1941 and June 30, 1940

Assets	June 30, 1941	June 30, 1940
Mortgage loans:		
First mortgage loans (unmatured principal)	$228,135,566.92	$244,512,154.20
Second mortgage loans (unmatured principal)	393,348,607.71	413,152,050.18
Total	621,484,174.63	657,664,204.38
Purchase money mortgages, contracts, and notes	15,418,354.68	11,341,002.38
Unmatured extensions	11,032,018.14	6,798,273.84
Less reserve	11,032,018.14	6,798,373.84
Net	- -	- -
Delinquent installments, advances, etc.	13,928,258.77	18,585,158.71
Less reserve	5,106,729.72	7,251,812.62
Net	8,821,529.05	11,333,346.09
Cash	20,643,662.93	29,401,347.45
Due from the Secretary of the Treasury -		
Interest reduction	2,131,648.86	1,419,190.82
Accounts receivable	705,250.07	278,573.21
Consolidated Federal farm loan bonds (par)	761,129,840.00	761,129,840.00
Consolidated Federal intermediate credit bank debentures	- -	796,404.40
Accrued interest receivable (not due):		
Mortgage loans	10,253,416.66	10,810,109.06
Investments	6,828,820.16	6,829,620.16
Total	17,082,236.82	17,639,729.22
Real estate owned:		
Not subject to prior liens (investment)	13,834,557.04	15,024,990.27
Subject to prior liens (net investment)	5,643,925.67	7,064,826.21
Total	19,478,482.71	22,089,816.48
Less reserve	11,193,726.58	13,235,615.06
Net	8,284,756.13	8,854,201.42
Sheriffs' certificates, etc.:		
Not subject to prior liens (investment)	1,529,408.35	2,737,626.63
Subject to prior liens (net investment)	1,624,056.44	2,562,618.05
Total	3,153,464.79	5,300,244.68
Less reserve	2,239,709.02	3,636,522.09
Net	913,755.77	1,663,722.59
Loans called for foreclosure, judgments, etc. (investment)	6,064,972.11	6,199,380.16
Less reserve	4,258,741.45	4,393,989.55
Net	1,806,230.66	1,805,390.61
Loans in suspense:		
Prior liens in foreclosure (investment)	2,953,661.20	3,446,976.96
Payments postponed by agreement (investment)	14,039,107.10	15,948,818.36
Total	16,992,768.30	19,395,795.32
Less reserve	16,992,768.30	19,395,795.32
Net	- -	- -
Chattels owned (investment)	4,191.89	6,325.54
Less reserve	4,191.89	6,325.54
Net	- -	- -
Unamortized discount on bonds sold	186,387.66	252,171.54
Other assets	36,629.37	117,841.73
	1,458,644,456.63	1,503,696,965.84

FEDERAL FARM MORTGAGE CORPORATION

Comparative statements of condition, as of June 30, 1941 and June 30, 1940 - continued

Liabilities	June 30, 1941	June 30, 1940
Federal Farm Mortgage Corporation bonds outstanding.	$1,269,387,900.00	$1,269,387,900.00
Notes payable	45,900,000.00	- -
Accrued interest payable (not due):		
Federal Farm Mortgage Corporation bonds	8,323,955.92	8,323,955.92
Notes payable	9,431.51	- -
Total	8,333,387.43	8,323,955.92
Deferred proceeds of loans	826,170.67	926,770.17
Accounts payable	880,218.38	835,067.28
Matured items on prior liens not assumed	745,030.40	971,107.25
Payments received on unmatured items	692,168.29	478,171.00
Other liabilities	2,352,518.35	2,687,316.13
Unamortized premium on bonds sold	363,398.10	638,934.42
Reserve for title losses	300,255.48	284,207.05
Capital stock	100,000,000.00	200,000,000.00
Reserve for losses on mortgage loans, purchase money mortgages, and real estate sales contracts	28,863,409.53	19,163,536.62
Total liabilities	1,458,644,456.63	1,503,696,965.84

SELECTED COMPARATIVE DATA

	12 months ended June 30, 1939		12 months ended June 30, 1940		12 months ended June 30, 1941	
	Number	Amount (000 omitted)	Number	Amount (000 omitted)	Number	Amount (000 omitted)
1. Loans outstanding, end of period						
First mortgage loans ...	186,870	$262,099	184,792	$247,755	182,028	$230,541
Second mortgage loans ...	255,421	455,523	248,914	421,095	250,215	399,578
Total	442,291	717,622	433,706	668,850	432,243	630,119
2. Loans delinquent, end of period						
First mortgage loans	42,710	$73,909	34,327	$59,839	31,888	$53,326
Second mortgage loans ...	77,906	157,645	65,635	127,490	61,149	115,825
Total	120,616	231,554	99,962	187,329	93,037	169,151
3. Percent of loans delinquent, end of period						
First mortgage loans	22.9	28.2	18.6	24.2	17.5	23.1
Second mortgage loans	30.5	34.6	26.4	30.3	24.4	29.0
Total	27.3	32.3	23.0	28.0	21.5	26.8
4. Loans closed during period						
First mortgage loans	5,725	$8,697	5,971	$9,133	7,569	$12,053
Second mortgage loans ...	11,003	19,250	12,095	21,118	15,790	28,156
Total	16,728	27,947	18,066	30,251	23,359	40,209
5. Loans reamortized	17,819	$46,982	101,255	$178,677	24,797	$44,183
6. Repayments of loans a/...	xx	62,818	xx	61,340	xx	65,111
7. Real estate and sheriffs' certificates on hand, end of period	10,227	$42,359	8,537	$36,643	6,558	$29,545
	Prior liens	12,289	Prior liens	9,253	Prior liens	6,913
	Net	30,070	Net	27,390	Net	22,632
8. Real estate and sheriffs' certificates acquired during period	8,080	$33,553	4,899	$23,343	3,567	$17,418
	Prior liens	11,424	Prior liens	8,023	Prior liens	5,921
	Net	22,129	Net	15,320	Net	11,497
9. Real estate and sheriffs' certificates disposed of during period	5,021)		6,587)		5,504)	
	b/ 384)	$22,755	b/ 386)	$29,959	b/ 373)	$24,817
	Prior liens	8,644	Prior liens	10,083	Prior liens	6,923
	Net	14,111	Net	19,876	Net	17,894
10. Loss on real estate and and sheriffs' certificates disposed of during period	xx	$6,665	xx	$8,901	xx	$7,195
11. Loss on loans during period	xx	6,923	xx	5,046	xx	3,449
Total 10 and 11		13,588		13,947		10,644

a/ Includes loans paid in full and principal payments.
b/ Represents part-farm disposals.